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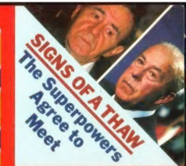

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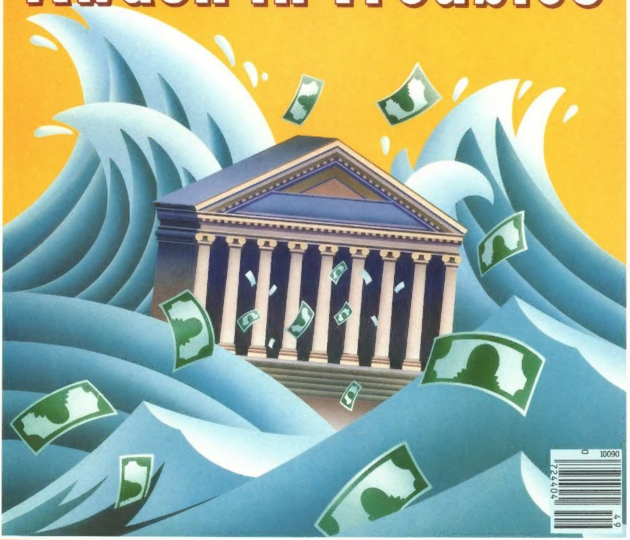
The Superpowers Agree to Meet

AMERICA'S BANKS

Awash in Troubles



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DECEMBER 3, 1984

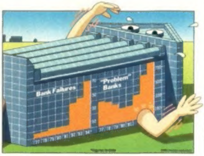
TIME

THE WEEKLY NEWSMAGAZINE

Vol. 124 No. 23

COVER: Buffeted by competition and controversy, banks face a survival test 48

The power and prestige of bankers were once as secure as their vaults, but no longer. Poor management, overzealous lending and bad luck have led to widespread earning declines and a rising number of bank failures. Customers are rebelling against skyrocketing fees, and new rivals are seizing an increasing share of the financial-services business. *See* ECONOMY & BUSINESS.



NATION: The superpowers agree to meet in Geneva, amid signs of a thaw 16

Shultz and Gromyko will discuss a resumption of arms-control talks, but the Administration is still trying to settle on a negotiating position. Future agreements could hinge on whether the Soviets have been cheating on old treaties. ► Budget planners talk of spending cuts while waiting for Reagan to make the hard decisions. ► The U.S. and Latin America crack down on drug trafficking.

THE WHITE HO
WASHINGTON

WORLD: Disaster engulfs a teeming Mexico City suburb 28

THE DEVIL GOT UP EARLY, said the headline. By the time he was done, the inferno had killed hundreds and left thousands homeless. ► As the Palestine National Council meets for the first time since the P.L.O.'s retreat from Beirut, Arafat fails to reconcile rival factions. ► Libya's Gaddafi double-deals the French but is stung by Egypt. ► Striking British miners look to Moscow for support.

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William Ziff splits his magazine empire, selling 24 highly profitable publications to CBS and Rupert Murdoch.

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On the wing of the most stirring game of the year, the most cuddly quarterback, Doug Flutie, is about to be dipped in bronze.

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Environment
Around the world, protesters rail at the U.S. for allowing Japan to ignore a ban on whale hunting for four more years.

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Video
After nine straight seasons in the ratings cellar, NBC leaps to No. 2, and Program Chief Brandon Tartikoff is all smiles.

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Religion
In an extraordinary series of discourses, the Pope underscores the church's ban on artificial means of birth control.

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Computers
At a hackers' conference in Sausalito, Calif., 130 top programmers plot the future of their arcane, much maligned craft.

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Education
Many educators are upset about "dumbed-down" textbooks, written to formulas for simplicity and loaded with taboos.

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Essay
Baby Fae was a guinea pig in an experiment undertaken to reduce not so much her suffering as that of others. Was that wrong?

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Cover:
Illustration by
Nicholas Gaetano

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A Letter from the Publisher

ANTONIO SUAREZ

Feeback and Deaton: compulsive crew

Accuracy and alacrity are two requirements at TIME, and both have been served by the computer revolution. Since the mid-1960s, staffers at TIME headquarters in New York City have used keyboards and video-display screens to complete tasks that were once accomplished with scissors and rubber cement.

In this electronic operation, the typesetters of former years have been transformed into "copy processors." Among them are a crack crew called page coders. Working at a bank of glowing terminals, they convert stories into unique computer-language translations, or "codes," in which photographs, text and other elements of the page are represented by numerical commands.

As the final elements of the magazine are readied—the photo captions and credits, the black lines that separate columns—the coders instruct TIME's Atex system to add them to its numerical picture. When a page is complete, it goes to the "IMPACT" center. From there, it is transmitted to satellites that send it to 18 printing plants around the world.

Despite the complexity of converting visuals into numbers, coders say that the computer procedures are a quantum leap over the all-manual page assembly of the past. "This method is more exact," explains Coder Steve Feeback. "The computer can align things more precisely than the eye."

An even bigger advantage, he adds, is speed. Take the arduous night three weeks ago when TIME produced its special election issue, which went to press just ten hours after the last polls closed. Without computer page makeup, the time-consuming chores of cut and paste would have prevented the inclusion of late-breaking additions to stories. "With this system," says Feeback, "a new part of a story could be fitted into the layout five minutes after it was written and edited."

Explains Gérard Lelièvre, TIME's operations director, "The coders bear a lot of responsibility because they execute the last step in the editorial process. They are the gateway to the printer. When things are running behind, the coders are the ones who work to expedite the process, to get things out quickly, but without mistakes."

The crisp appearance of each page is ensured only because coders endlessly scrutinize the placement of every bit of information. "We are completely involved in the visual detail of the page," says Gary Deaton, who supervises TIME's crew of ten coders. "We pore over every millimeter of the magazine to make sure that everything falls in place, that border lines don't overlap and that pages have a uniform appearance."

Considering the tasks involved, what kind of person makes the best coder? "The kind we have here," Deaton wryly concludes. "Ten compulsive people with a completion obsession."

John A. Meyers

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Letters

Indira Gandhi

To the Editors:

Most Indians will remember Indira Gandhi [WORLD, Nov. 12] as a woman of great fearlessness, even though her reputation will always be hemmed in by qualifying clauses. Despite her aloofness, she appeared strangely accessible. It would be an injustice to mistake her stoicism for stony heartlessness. As she said in an interview after her younger son's death, "The wounds are there, but perhaps some scars do not show."

Shormishtha Panja
Providence

Indira Gandhi was a complex personality who, depending on the situation, could be kind, endearing, humble, firm, stern, maybe even ruthless. She never lost sight of her goal: the best for India.

Asha Narang
Marysville, Mich.

TIME
"If I die today, every drop of my blood will invigorate the nation"

After the tragic murder of Indira Gandhi, some Sikhs rejoiced and danced in the streets. There cannot be much happiness left now that death and persecution have come to thousands of them. Why is it that so many people still refuse to see that violence only brings more violence?

Aida Feierbach
La Paz, Bolivia

Indira Gandhi's assassination underscores how important it is to keep religion out of politics. Religious fervor is not born of reason and therefore no objective discussion can take place. A democracy can be destroyed unless religion and politics are kept separate.

Prakash Kotagal
Euclid, Ohio

India comprises many communities with differing religions and life-styles and more than 20 major languages and some 250 dialects. If the Sikhs were granted autonomy, then why not the Assamese, the Tamils and all the others, until India would be reduced to a cluster of tiny independent countries? How naive to imagine that the Soviets and Chinese would respect India's borders. It is a case of united we stand, divided we fall. American as well as Indian interests lie in a unified, strong, democratic India.

Mithoo Sinha
New York City

Rajiv Gandhi has been criticized as too inexperienced to head the world's largest democracy and handle the present situation in India. When Indira Gandhi entered politics, she lacked experience, yet she emerged as a good leader. India is a country in shock and anger, but Rajiv Gandhi can lead India in unity and peace, perhaps better than his mother.

Jayesh Parmar
Teaneck, N.J.

What made the assassination of the proud but vulnerable Mrs. Gandhi particularly pathetic was that it was committed by members of her bodyguard whom she had continued to trust against all warnings. The so-called disciples of India's revered Guru Nanak, contemptuously basking in foreign shelter in Western countries, have no reason for jubilation. I feel sad about the shame brought upon my Sikh countrymen by those traitors. They emptied their guns into someone who, with all her real or imagined power, was a small, frail old woman.

Bharati Banerjee
Heidenheim a.d. Brenz, West Germany

Your coverage of Indira Gandhi was too flattering. At best, she was a Soviet client who ruthlessly inflicted her dynastic rule and divided the people just as her British masters had done. India is neither democratic nor secular. The U.N. Commission on Human Rights needs to take a close look at Hindu India.

Mahmood Ali Shakir
Oklahoma City

Heartbeats

I am outraged by the Baby Fae incident [MEDICINE, Nov. 12]. A healthy and active animal has been killed, and a human baby was condemned to days of unknowable suffering. This is not science at all; it is arrogance. Never was it more clear how desperately some of our so-called professionals need a course in practical ethics. We should learn something about acceptance of death through natural causes.

John A. White
Rochester

The transplant of a baboon heart into a human infant is not a medical cure. It is using a human as a guinea pig for medical research. Human organs are designed by evolution to serve up to about 100 years; those of a baboon are structured to last only 25 to 30 years. It will be a real scientific breakthrough if the heart from a mouse with a two-year life span can exist eight years in a mouse that belongs to a long-surviving group. Until the rate-of-aging problems are solved, using newborn babies for experimental purposes is premature.

Zhores A. Medvedev
Medical Research Council
London

I believe in the humane treatment of animals, but when people show more emotion about the death of a baboon than they do about the life of a little baby, surely it is their ethics that are to be questioned and not those of the surgeons at Loma Linda University Medical Center.

(The Rev.) Aaron E. Wheaton
Patoka, N.J.

I would, without hesitation, give my pet's life to save a child if it were medically feasible.

Mary Bednar
San Diego

As the mother of an infant who was born with hypoplastic left-heart syndrome, I know the wrenching pain and helpless feeling of being told that my daughter's condition was 100% fatal. My husband and I would not have hesitated to sign the consent form agreeing to surgery had we been given the choice.

Joyce O'Sadnick Sward
Auburn, Wash.

Taking Faith in Reason

Reason and faith are not enemies but essential complements, however much in tension they may exist [ESSAY, Nov. 12]. Reason without faith would be cold, calculating and ultimately diabolical. Faith without reason becomes sentimental folly or egregious fanaticism. The separation of church and state is a matter of principled and pragmatic accommodation in a pluralistic society. To attempt to separate religion and politics is perilous and, finally, impossible.

(The Rev.) Byron C. Bangert
Kalamazoo, Mich.

Faith, rather than a belief without reason, is belief beyond reason. Reason can take us only so far.

Ted Risk
Placentia, Calif.

Roger Rosenblatt's Essay went too far in equating the church with passion. Traditionally, the Christian church has emphasized the importance of reason in man's life, especially in his religion. As Pascal said, "If we submit everything to reason, our religion will have nothing in it mysterious or supernatural. If we violate the principles of reason, our religion will be absurd and ridiculous."

Heather E. Peterson
Annapolis, Md.

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Letters

The point of view presented by the author in this Essay reminds me of a man mildly curious about church who glances through a stained-glass window and satisfies himself that it is all shadows and no substance.

(The Rev.) David M. Gregson
Willow Grove, Pa.

There is much wisdom, perhaps crucial wisdom, contained in your Essay. Is anybody listening?

Diane Lowrey
Houston

The U.S. Catholic bishops' past and future pastorals are attempts at being both passionate and reasonable. Governments without passion are impotent. Churches, synagogues, ashrams and mosques without reason are flaming candles without light. What God has joined together, let no Rosenblatt put asunder.

Edward Vacek, S.J.
Cambridge, Mass.

Neutering the Bible

Your article "More Scriptures Without Sexism" [RELIGION, Oct. 29] trivializes a very important matter. Masculine terms in the Scriptures can and often do leave women feeling excluded. When the word of God is read in church, certainly that word is meant for both women and men. Why not use language that clearly addresses everyone in the congregation? Contrary to the implication of your article, *An Inclusive-Language Lectionary* was warmly welcomed by many who want all of God's people to hear the message of the Scriptures.

David Ng
Associate General Secretary
for Education and Ministry
National Council of the Churches of Christ
New York City

Political Pen Pal

I do not buy the *Doonesbury* defense that Artist Garry Trudeau ridicules politicians of both parties [PRESS, Nov. 12]. Reagan is a villain, and Mondale's neckties might be criticized for being wide. See, I am fair. I laugh at everyone.

Warren P. Snyder
Evanston, Ill.

Why all the fuss over Trudeau's acerbic cartoons? After all, he does no more than tell it like it is. The way I see it, *Doonesbury* may be the only voice capable of keeping the Administration in check over the next four years.

Colleen Barron
South St. Paul, Minn.

LETTERS TO THE EDITOR should be addressed to TIME, Time & Life Building, Rockefeller Center, New York, N.Y. 10020, and should include the writer's full name, address and home telephone. Letters may be edited for purposes of clarity or space.

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American Scene

In Maryland: Fowl Festival

November in America is a time when certain sportsmen go mad for ducks and geese. The flyways are thick with, among other fowl, honkers coming down out of Canada. The season is on, and something rises in the blood of the hunter. It is a passion, remarked upon most lyrically by Ernest Hemingway, who once recalled, "That is the first thing I remember of ducks: the whistly, silk tearing sound the fast wingbeats make; just as what you remember first of geese is how slow they seem to go when they are traveling, and yet they are moving so fast that the first one you ever killed was two behind the one you shot at, and all that night you kept waking up and remembering how he folded up and fell."

Three connoisseurs scrutinize a carver's handiwork at Easton's waterfowl festival

Down the nation's East shore, down the Mississippi River, mornings in November are punctuated with the laughterlike calls of migratory fowl and the sharp reports of shotguns. While some people loathe the practice, hunters romance it, just as Hemingway did in that pretty passage. After all, even the argot of the sport is poetry: when a bird sets its wings to come in to feed, it is "whiffing," defined by Webster as moving "with or as if with a puff of air." The hunters themselves have a more evocative term—they call it "maple leafing," a lovely image. To boot, the very names of the birds roll off the tongue like a song: pintails, canvasbacks, eiders and green-headed mallards, snow geese, marsh wrens, white-winged scoters and cinnamon teal.

Here and there in the country this time of year, the waterfowl season is raised to the level of celebration. One such wingding, if you will, is held in the Maryland town of Easton, on the Delmarva Peninsula, and it probably reflects appreciation for the birds as well as any.

Catalog freaks would recognize Easton as an L.L. Bean kind of town. On second thought, that may be a little narrow. It is a Bean-Gokeys-Orvis-Eddie Bauer-Lands' End kind of town; it spreads its trade around. Topsiders, penny loafers, khaki pants, monogrammed sweaters, oxford-cloth shirts, lamb suede jackets and the ever present tweed, to say nothing of argyle socks, contribute heavily to the Easton uniform. Easton was preppie when preppie wasn't cool. Ducks embellish its mailboxes; there are ducks on its welcome mats. It is a place of fine old houses hugging tidy streets. Well-fed cats walk its alleys with the air of taxpayers. they do not prowl.

Fourteen years ago, Easton put on its first annual waterfowl festival. Today the town of 8,000 or so entertains roughly 35,000 celebrators during the three-day event. (The people who attend tend to dress like the people of Easton. A first-time visitor this year was struck by the thought that if a poor man could manage to obtain a chamois-shirt concession, all his envy of Croesus would cease.) The affair nets as much as $200,000, a sum the town divides among waterfowl-conservation groups. Some of the paintings for sale fetch as much as $10,000. Some of the delicately carved decorative decoys commonly bring $3,000. "Hell," explained one craftsman, defending his costly wares, "it took me a week just to do the bill." He meant his duck's bill, not his price tag.

The carver's trade is as tedious as his art is exquisite, it turns out, and this time-consuming aspect of his craft has opened a deep rift between the decoy man and his colleague the waterfowl painter. The man in the decoy dodge calls the man who employs canvas a "flat artist," putting a spin of denigration on the term. Flat art frequently commands a much higher price than the decorative decoy, which often takes much longer to produce. Therein lies the rub. The painter responds that if his work is any good, it is just as exacting—only his tools are different. If he is a cad he may call his work a higher art form.

TR PRUITT—SIPA SPECIAL FEATURES

Dyrenforth, with dead goose, amid decoys

The carver labors under a marketing burden the painter does not have. According to Scott Beatty, a big, strapping accountant in Easton and president of this year's festival, "Anywhere you have a wall in your house, you have a place for flat art. But you have to think hard about where you're going to put a bird."

In a church a few blocks away from Beatty's jury-rigged attic office in Easton's Tidewater Inn, some of the nation's finest decoy makers were explaining their techniques to a rapt audience. "Think egg, think oval, think round, think pleasant," said Tan Brunet, a championship carver from Galliano, La. "A bird has no corners." As he talked, a neighbor, Jimmie Vizier, another prizewinning carver, addressed a block of tupelo. Shavings flew. Brunet chalked a map of the United States on a blackboard, understandably skewing the southern dip of Louisiana so that it was more prominent than that of Texas, than that of Florida. He explained migratory patterns, different woods, paints, patterns of feathers, and as

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his listeners took notes, he threw in a little about the Cajun way of life.

"When it gets cold we'll get a sack of oysters, put some sweet potatoes on the potbelly stove, and put a nice tape on—Willie Nelson, something like that—and then we chop and carve. That's where it's at. It's being happy." Brunet advised not to strive for winning ribbons; rather, he said, strive to please yourself—something he apparently has accomplished. "I say, when I carve a pintail drake, you can set music to it. Everything swings."

The next carver up, Jim Sprankle, offered no-nonsense instructions, going down deep into all the arcana of his craft. His listeners failed to notice the humor in his remark on concentrating on the head area of your duck. "As far as I'm concerned, that's the focal point. That's what draws you in. You don't look at someone's tail first, so to speak."

Paradoxically, while the would-be carvers were being drilled in meticulous attention to detail, the true hunters in Easton were out in their blinds behind the crudest decoys in all the land. These were goose decoys, fashioned from old tires, plywood goose heads affixed to the rubber in various attitudes of feeding. They were not proving very effective, but this was not the fault of the decoy, nor of the hunter. There had been a full moon, and the birds had fed at night. Now, in the day, they had no interest in food.

In a lima-bean field a few miles from town, some Southerners had whiled away the hours with earthy observations. (For instance, Tip Dyrenforth of Atlanta, in answering a call for cocktails the evening before, said into the phone, "I'll be down in five minutes, soon as I get the Russian army out of my mouth.") There since the chilly dark, they had sought diversion in Snickers bars, peppermint drops, apples and apricot brandy. When conversation petered out, somebody would mutter, "Damn, I reckon," and everyone else would sigh. One among them fretted about his wife, who he knew was Christmas shopping for him on the sly. "She thinks I like anything with a duck on it. Every year a shirt with a duck on it, or a duck belt, or a wallet with a duck. To tell the truth, ducks aren't all *that* hot, far as your clothing goes."

Just then a V formation of Canada geese came honking down a flawless sky. The Southerners ducked under a mat woven of broom sedge, put their calls to their mouths and commenced a racket that is supposed to sound like geese gleefully feeding. The live geese, alas, would have none of this. Somebody said, "Damn, I reckon," and the others let out a sigh. In a while, Jack Bailey of Rocky Mount, N.C., allowed that "some of the happiest hunts I've ever been on, I've never fired a shot. They're just beautiful to look at." His companions agreed with the sentiment, which was, after all, the whole point of the festival. —***By Gregory Jaynes***

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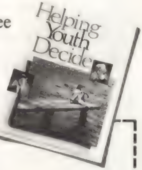

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TIME/DECEMBER 3, 1984

Back on Speaking Terms

Hinting at a thaw, the U.S. and Soviets agree to meet in Geneva

In nature, when masses of ice begin to melt, then fissure, they can make a sort of thunder, a great bass popping that echoes for miles. It is a startling noise. In Washington and Moscow last week there was a similarly surprising noise that sounded, just maybe, like the first tremors of a thaw in U.S.-Soviet relations. It came Thanksgiving Day, with officials in each country reading identical statements to reporters. At the White House, National Security Adviser Robert McFarlane delivered the tidings deadpan. "The United States and the Soviet Union have agreed to enter into new negotiations," he reported, "with the objective of reaching mutually acceptable agreements on the whole range of questions concerning nuclear and outer-space arms."

One year after the Soviets abandoned parallel sets of negotiations in Geneva on strategic arms (START) and intermediate-range nuclear forces (INF), they have decided to come in from the cold. On the first Monday in January, Foreign Minister Andrei Gromyko and Secretary of State George Shultz are to sit down together in Geneva and begin working out the basic ground rules and agenda for a whole new set of weapons talks. Said a senior Western diplomat in Moscow: "There are powerful interests on both sides in having these negotiations succeed."

It is just a beginning, a first step toward determining how substantive arms-control talks might proceed. All the hard parts come later. When the two sides get down to particulars, they might again find themselves in a deadlock, the Soviets as intransigent as ever on the issue of medium-range Euromissiles, the Americans as uncompromising as before on land-based missiles. Declares one Administration arms-control advocate: "What is important is the details, the specifics of approach from January on. What is the U.S. ready, willing and able to put on the table?" A moderate colleague is also pessimistic. "Reagan wants to see it as a thaw," he says of the Geneva get-together, "but unless we can show them we are serious about the arms-control process, then this isn't the beginning of anything." In fact, the Reagan Administration is profoundly divided over how to handle arms talks, and has not yet fashioned anything like a clear and coherent negotiating strategy. That process is complicated by a furious debate within the Administration over Soviet compliance with existing arms treaties *(see following story)*.

Nevertheless, the Shultz-Gromyko meeting, with its explicit goal of getting arms control back on track, is the single most hopeful bit of progress in U.S.-Soviet relations since the now moribund START discussions got under way more than two years ago. When President Reagan was told about the Geneva plans last Monday at his Santa Barbara ranch, recalls McFarlane, his response was simple and apt. "This is good news," Reagan said.

Indeed, for the President the news should be especially welcome, since it seems to vindicate, for the moment, his 1984 hard-liner-turned-peacemaker approach. The Kremlin had declared repeatedly that unless newly deployed Pershing II and cruise missiles were removed from Western Europe, there would be no further Soviet participation in nuclear-arms-control talks—period. Despite the threat, however, nearly 100 of the NATO missiles have been installed this year, and deployment continues. Says Assistant Defense Secretary Richard Perle: "The Soviets made the key concession by returning to negotiations without preconditions."

Their return required a semantic sleight of hand. The Soviets would not simply rejoin the suspended Geneva talks, so last week's announcement very carefully called the impending talks "new negotiations." What about START and INF? "As far as those negotiations go, the situation has not changed," said Soviet Foreign Ministry Spokesman Vladimir Lomeiko at his Moscow press conference. "They

Gromyko: after some semantic sleight of hand, the Soviets are coming in from the cold

LANGSDON—UPI

At noon on Thanksgiving Day, McFarlane delivers the good news to Washington reporters

are only possible given the removal of the American missiles." He was emphatic. "This is not a renewal of negotiations. These are absolutely new talks." Explains a U.S. official: "The Soviets had painted themselves into a very public corner. We wanted to give them an easy way out." Not that the Soviets have crumpled. In the past year they have deployed almost 100 SS-20s, capable of hitting targets throughout Western Europe.

Nuclear weapons are the central fact of the U.S.-Soviet relationship. But incipient entente, although modest, is also showing up elsewhere. Mikhail Gorbachev, heir apparent to Soviet Leader Konstantin Chernenko, will visit Britain for a week in December *(see box)*. As Shultz arrives in Geneva in January, a U.S. Commerce official will be in Moscow for quieter talks about how to expand U.S.-Soviet trade. This week Soviet Minister of Agriculture Valentin Mesyats will begin a twelve-day tour of the American heartland; aside from Gromyko, no Soviet minister has visited the U.S. since 1979. Last week Pop Singer John Denver embarked on a concert tour of the Soviet Union, the first by an American entertainer in years. When Denver appeared at the U.S. Ambassador's Thanksgiving dinner in Moscow and sang *We're All in This Together*, one Soviet guest, Foreign Ministry Official Alexander Bessmertnykh, sang right along.

It is no rush of good-fellowship that has the Soviets packing for Geneva again. Rather, the past year made it plain that their attitude of aggrieved peevishness was getting them nowhere. When the NATO governments were staunch in their determination to install new Pershing II and cruise missiles, the disarmament movement in Europe withered, and with it a good part of Moscow's hopes for forestalling the deployments. The Soviets meanwhile heard increasingly come-hither talk from the President and realized by summer that his re-election was all but certain. "They faced four more years of Ronald Reagan," explains a U.S. policymaker. "So the time had come to find a way back to the negotiating table."

A few days after re-election, Reagan sent an earnest note to Chernenko. A week later, surprisingly swift for the Soviet bureaucracy, the White House received a letter from Chernenko proposing the Shultz-Gromyko conference. "There had been positive signals," says a presidential adviser, "but nothing this explicit." Perle, probably the most influential arms-control critic in the Administration, had his calculations thrown off. Said he: "I'm amazed the Soviets came back to the table so soon. I hadn't expected them until spring."

The breakthrough came after Reagan suggested vaguely, during his speech in September to the U.N. General Assembly, that new arms talks might take place under an "umbrella," implying a unified forum without separate negotiations for medium-range missiles and long-range missiles. The START talks had concerned the warheads, mostly loaded on ICBMs, that the U.S. and the Soviet Union have pointed at each other from their respective territories and from submarines. The INF talks focused exclusively on missiles based in Europe and aimed at European targets. Umbrella talks could treat those different weapons as parts of a single negotiating equation, together with emerging space-based weapons. The technical complexity of the talks would be increased, yet the comprehensive approach offers considerable advantages: negotiators would be able to barter the putative U.S. edge in space weaponry, for instance, directly with the Soviet surfeit in ICBM megatonnage.

What kinds of specific offers might

BRACK—BLACK STAR

Shultz: disarray on negotiating strategy, but any engagement is better than hostile solitude

the U.S. make for openers? Shultz could agree to a slowdown in the deployment of cruise missiles or a moratorium on testing antisatellite devices. The hard-liners in Washington, unwilling to forgo the U.S. buildup in either area, would merely suggest that the Soviets send monitors to watch U.S. underground nuclear tests and that an American counterpart go to the U.S.S.R.

The Administration's internal split on arms control remains so deep that significant progress may not be possible despite the President's accommodating intentions. On one side are the skeptics: Defense Secretary Caspar Weinberger, Perle and other Pentagon subordinates. Arrayed against them are the arms-control moderates: Shultz, his underlings and the White House staff. Even at the White House meetings last week to shape the U.S.-Soviet joint statement, admits a Pentagon official, the hawks practiced "constant skirmishing" to slow the momentum.

For their separate political reasons, the principal moderates and hard-liners agree that no arms-control czar should be appointed. But McFarlane talked last week of finding someone "to advise, to troubleshoot and to be a designated hitter that could assure momentum is sustained." The White House favorite for the job is Paul Nitze, the chief negotiator at the INF talks. Yet he is opposed by the Pentagon hawks. In Moscow, one Soviet expert on U.S. relations smiled at the Washington jargon—czar—but said with a sigh, "When Kissinger was making these decisions in the Nixon years, then we were able to move ahead. Maybe what we need is a new Kissinger."

Nixon met three times with Leonid Brezhnev, first in 1972 to sign the SALT I pact. McFarlane said it was "premature to speculate" that the January meeting might lead to a Reagan-Chernenko encounter. Before last week's announcement, Chernenko told NBC *News* in answer to written questions that he did not think "conditions now are ripe for a Soviet-American summit meeting." Still, U.S. officials have bandied about the idea of a summit next fall.

Before any such grand encounter can occur, though, Reagan must involve himself in the arms-control process more directly. Specifically, he will have to give Shultz and the moderates his unequivocal endorsement, or make it clear to the hard-liners that his commitment to negotiating nuclear arms reductions is genuine and urgent.

Even if the President manages to establish a single negotiating strategy for his Administration, arms-control agreements will surely be elusive. Chernenko's health and his mastery of the Soviet state remain uncertain. The Kremlin may simply want to observe the forms of negotiation for propaganda purposes. "We're not there yet," concedes a White House adviser, with epic understatement. "It may take the whole second term to get there."

In Washington, Moscow and European capitals last week, the general reaction was the same, a kind of prudent hopefulness, positive but well short of jubilant. The distance between the U.S. and the Soviet Union had become vast and worrisome. Even an uncertain plan to re-engage is better than hostile solitude. "The main thing is that the talks are taking place," sums up Sir Geoffrey Howe, the British Foreign Secretary. "But don't let's have any terrifically high expectations of sudden change. It's going to be a very long business. It will require a lot of patience from all of us." ***—By Kurt Andersen. Reported by Erik Amfitheatrof/Moscow and Johanna McGeary/Washington, with other bureaus***

An Opening to London

Word that the superpowers would hold talks early next year in Geneva was the second sign that the Kremlin is looking for a diplomatic opening to the West. The first was that Mikhail Gorbachev, 53, the fast-rising heir apparent to President Konstantin Chernenko, will lead a Soviet delegation to Britain in mid-December. Gorbachev's trip will mark the first visit of a top-ranking Soviet leader to Britain in eight years. For Gorbachev, who has already seen more of the West than all but a few Politburo members, the visit might be the dress rehearsal for a later trip to the U.S.

ANGELO PALMA

Gorbachev: lively intelligence

Gorbachev accepted Britain's invitation in his capacity as chairman of the foreign affairs commission of the Supreme Soviet, the U.S.S.R.'s largely ceremonial parliament. Last year he led another parliamentary delegation on a two-week tour of Canada, impressing his hosts with a lively intelligence and the ability to listen carefully. British diplomats were delighted with his latest travel plans. "If he really is the Kremlin's No. 2 man, we want to see as much of him as possible," explained a British diplomat. "And we want him to see as much of us as possible."

Gorbachev is likely to do just that, given the limitations of a one-week stay. Besides attending parliamentary functions, he will presumably want to inspect some farms and agricultural-equipment factories; agriculture is one of his responsibilities in the Kremlin. Most important, he will be received at 10 Downing Street, possibly more than once. Prime Minister Margaret Thatcher, who has been hinting publicly for 14 months that she would welcome talks with the Soviet leadership, noted that Gorbachev's visit will be followed by one from Gromyko early in 1985. Said Thatcher: "We shall hope during these visits to take forward the search for ways to reduce the burden of armaments." Acting in concert with Washington, the British may use their time with Gorbachev to sound out the opening Soviet position in Geneva and to hint at Washington's. "The Russians know perfectly well that anything they say to us will go straight back to Washington," said a British diplomat in London. "We will be acting as a two-way conduit."

The unexpected acceptance of London's invitation by Gorbachev recalled another Soviet foreign policy initiative staged on British soil. In 1956, during the cold war, Nikita Khrushchev and Premier Nikolai Bulganin came calling, opening a campaign of personal diplomacy in the West that culminated in Khrushchev's 1959 tour of the U.S. That was also a period of progress in arms-control negotiations between the U.S. and Soviet Union, though no major agreement emerged until the limited test-ban treaty of 1963.

Gorbachev was conspicuous by his absence from a Nov. 15 meeting of the ruling Politburo. A Soviet journalist joked that Gorbachev was busy taking an intensive tea-sipping course in case the Queen Mother invited him over. "Whether or not to use the strainer, how to put the napkin on your knee, and all that," the journalist mused. More serious Soviet officials went out of their way to assure British officials that Gorbachev was merely on vacation and that his British travel plans remain unchanged. Their explanation was plausible: Gorbachev filled in for Chernenko during the President's extended summer vacation and remained at his desk throughout the fall. As for Gorbachev's plans beyond December, nothing is firm. But Western diplomats have lately been speculating about a possible Gorbachev trip to the U.S. in 1985.

Questions About Soviet Cheating

Future talks could hinge on compliance with old treaties

Does the Soviet Union cheat on the agreements that Leonid Brezhnev signed with Richard Nixon and Jimmy Carter during the Strategic Arms Limitation Talks of the 1970s? Should the Reagan Administration feel bound by those agreements?

Those questions, and their answers, are closely linked, and President Reagan must face up to them squarely—and very soon. By the end of this week, the White House is required, under a Pentagon authorization bill, to give the Senate Armed Services Committee a report on Soviet compliance with past agreements. By early next year, the Administration must decide on the second question, whether the U.S. should continue to abide by the old SALT agreements while it seeks to negotiate new treaties in the talks that Secretary of State George Shultz plans to propose to Soviet Foreign Minister Andrei Gromyko in January.

As on most other arms-control issues, the Administration is sharply divided over what these reports should say. Hard-liners, whose most determined and skillful representative is Assistant Secretary of Defense Richard Perle, are pressing for the most damning, categorical interpretation of any available evidence that the Soviets have flagrantly violated SALT. Their charges of Soviet cheating buttress their broader case that arms control, at least as practiced traditionally, is not in the national interest. Moderates, centered at the State Department, are inclined to a more equivocal—and, they believe, a more subtle and accurate—reading of the Soviet record. They tend to avoid stark references to violations and talk instead about "questionable activities." The State Department, according to one of its officials, "has been seeking a report that raises tough questions without overstating the answers."

Shultz and his advisers have an ulterior motive. They want to protect the President's diplomatic options. Reagan has said repeatedly that he hopes to reach an arms-control agreement with the U.S.S.R. in his second term. But if his Administration officially renders a guilty verdict against the U.S.S.R. on the issue of compliance, the prospects for the Shultz-Gromyko meeting and future negotiations and agreements may be bleaker than ever. The Soviets will take the accusations as proof that the U.S. is looking for a pretext to scuttle arms control once and for all, while making the Soviets take the blame. At the same time, Congress and public opinion will be extremely skeptical about the wisdom of continuing to do any business with convicted cheaters.

Caught in the middle of the intramural debate is the intelligence community. Its photoreconnaissance specialists and weapons analysts are the gumshoes who stake out the Soviet Strategic Rocket Forces. But these detectives are concerned about protecting their "sources and methods" as well as catching the crooks. The CIA is anxious that the Pentagon hard-liners, in their zeal to prosecute the Soviets in public, will give away sensitive intelligence secrets about how much the U.S. knows and how it knows it. Some intelligence experts also interpret the data about Soviet activities as being more ambiguous than the hard-liners want to assert.

Test launch of an MX from Air Force base in California

One new missile is allowed, but does Moscow have two?

MARK MEYER

As chairman of an interagency review process, the President's National Security Adviser, Robert McFarlane, has had the difficult task of trying to hammer out a consensus on Soviet compliance that will balance these conflicting bureaucratic interests and be responsive to the Senate while not undercutting the President's stated desire to resume serious arms-control negotiations with the U.S.S.R. next year. The process, according to a participant, has been "a knock-down, drag-out, blood-on-the-floor free-for-all."

There is plenty of room for honest disagreement on the issue of Soviet compliance. Judgments depend on close calls over esoteric technical matters and fine points in treaty language. The whole problem has been complicated by the deterioration of political relations between the superpowers, the stagnation of the arms-control process and the onrush of technology. New weapons systems tend not to fit neatly into the definitions and stipulations drafted as long as twelve years ago. Says Michael Krepon, an expert on compliance issues at the Carnegie Endowment for International Peace: "The Soviets usually exploit ambiguities in treaties, and arms-control critics immediately label these Soviet practices as violations."

Since 1972, the U.S. and the Soviet Union have been exchanging private complaints about whether their military programs comply with SALT. They have been doing so behind closed doors in Geneva, in a joint Soviet-American body called the Standing Consultative Commission. Before Reagan came into office, the U.S. had taken many challenges of Soviet practices to the SCC; the Soviets either adequately explained them or discontinued them. Recently, however, the Soviets have been playing closer to the edge of what is permissible, and have perhaps stepped over that edge. Two examples are particularly disturbing, and they are Exhibits A and B in the hard-liners' case:

The Krasnoyarsk Radar. Under the SALT I treaty of 1972, neither side is allowed to develop a nationwide system of antiballistic-missile defenses. The reason for this rule is that mutual deterrence rests, rather perversely, on the principle of mutual vulnerability: if each superpower knows the other has the ability to retaliate against a first strike, neither will launch such a strike.

By 1983, American spy satellites had spotted a huge construction project near Krasnoyarsk in central Siberia. It looks suspiciously like a giant radar station that would be useful for providing early warning against a missile attack and could also help shoot down the incoming warheads with ABMs. Its location deep inside the U.S.S.R. would make it a clear-cut violation of SALT if it is used for early warning, since the ABM treaty says that such facilities must be near the periphery of the country.

The Soviets claim that the radar,

which will not be completed until 1988 or 1989, is not for looking outward toward the Pacific Ocean for enemy missile warheads, but for looking upward to track satellites and manned vehicles in space, a function permitted by SALT. Whenever the U.S. presses them on the Krasnoyarsk radar, the Soviets say two new early-warning radars that the U.S. is building in Texas and Georgia violate SALT because their wide sweep covers much of the continental U.S. and therefore could be part of a nationwide defensive net. The Soviets' countercharge is weak because the new American radars are on the periphery of the U.S., as the treaty requires.

New Missiles. The SALT II treaty of 1979 permits each side one new type of intercontinental ballistic missile. The U.S. has chosen as its new type the MX, a ten-warhead successor to the three-warhead Minuteman III, although the MX program has been the object of intense controversy and may be killed by the Congress. The Soviets are developing a roughly comparable rocket called the SS-24, and they have officially notified the U.S. that this is to be their one new type.

But the Soviets are working on another ICBM. It is smaller than the SS-24 and may be armed with only one warhead. They claim it is a "modernization" of an old 1960s-vintage ICBM, the SS-13. The U.S. intelligence community has been monitoring the testing program and is convinced that there are too many improvements for the rocket to qualify as a modernization. It is, say U.S. experts, definitely a second new type, which they have dubbed the SS-25. But the definition of a new type in SALT II is imprecise, and some analysts think the Soviet rocket may fit through a loophole that allows a second new type as long as it is sufficiently similar in size and other characteristics to an existing ICBM.

A Soviet diplomat in Washington recently argued that the U.S. is in no position to be a stickler on this issue, since the Administration and Congress are talking about developing a second new type of ICBM, the small, mobile, single-warhead Midgetman.

"It is important to separate the real compliance issues from the red herrings," says Thomas Longstreth of the Arms Control Association, a private educational group in Washington. "The Krasnoyarsk radar and SS-25 are real issues. I don't think there is any doubt that the Soviets are playing hardball with us, showing us what they can do if arms control breaks down completely. By some of their actions, they are saying, in some crude way, 'If it's an arms race you want, it's an arms race you're going to get.'"

Kenneth Adelman, director of the Arms Control and Disarmament Agency, believes that the U.S. must press charges against the Soviets if there is to be any progress in arms control. "There's no question," he says, "the Soviets are violating commitments they have undertaken. Their violations are to various degrees and in various areas. To be serious about arms control, we have to be serious about compliance. When one side abides by its commitments but the other side doesn't, then what's really happening is unilateral disarmament by the first side, under the guise of arms control."

The Administration has been at odds with itself over compliance since its first days in office. In his initial press conference as President, on Jan. 29, 1981, Reagan said the Soviets "reserve unto themselves the right to commit any crime, to lie, to cheat." Among the newly appointed officials who took that statement very literally was David Sullivan, a former CIA analyst who had made a career of documenting alleged Soviet violations of SALT. He served briefly in the ACDA in the State Department building.

Sullivan was an ally of Perle's in the bureaucratic struggle, but he was on the wrong side of the Potomac. He ran afoul of colleagues in ACDA and State when he tried to get the Administration to sanction what one official recalls as "a laundry list of every Soviet misdeed since the birth of Lenin, all of them branded as arms-control violations." He was fired from ACDA in March 1981 but has remained an active, though largely invisible, protagonist in the battle over arms control as an adviser to three conservative Republican Senators: James McClure and Steven Symms of Idaho and Jesse Helms of North Carolina.

Last January, largely in response to pressure from that group, the Administration issued a report on Soviet compliance. It detailed seven Soviet "violations and probable violations" but cautioned that in three of the seven cases the evidence was inconclusive.

A variety of outside experts challenged those findings, arguing that the evidence was less than conclusive in all seven cases. But the hard-liners felt that the Administration had let the Soviets off easy. Perle stressed at the time that the report was "illustrative only," suggesting that there were many more charges to come. Sullivan told TIME last week, "We were pleased that for the first time a President formally charged the Soviets with violating a strategic-arms treaty, but we thought the report could have been stronger."

In October, the trio of right-wing Senators engineered the release of a much more hard-hitting report prepared not by the Administration but by a panel of outsiders—the President's General Advisory Committee on Arms Control and Disarmament (GAC), composed of private citizens, most of whom are hawks and arms-control skeptics. Their study, based heavily on data gathered and interpreted by Sullivan, found the Soviets guilty of 17 "material breaches" of nine treaties and four international commitments. The GAC also cited ten "suspected violations."

Reagan had sat on the GAC report for ten months. When he finally forwarded it to Capitol Hill in October, he stopped short of endorsing its conclusions. He said in a covering letter that the report had been neither reviewed nor approved by the Government. "The GAC report was a hot potato," recalls a White House official. "We couldn't embrace the thing even if we believed it, because to do so would be the kiss of death for arms control, to which the President is really committed. How can we continue trying to negotiate with the Soviets if everything that the GAC report says was true?"

That, in a nutshell, is a dilemma the Administration still faces. The report due this week is a congressionally mandated update on the one the Administration released in January. Sullivan last week warned that his patrons would not be pleased if McFarlane tried to delay the new study or "distance the President from it the way he did with the GAC report. We expect a larger menu of SALT violations than we got in January. We hope not to see a report that is watered

Illustrations for TIME by Eugene Mihaesco

down and full of divided opinion."

Congress requires another report from the Administration in February on the related issue of whether the U.S. should continue to comply with SALT while it tries to negotiate better agreements. There, too, opinion is divided. The hard-liners would like to see SALT dead and buried, while the State Department and its allies argue that the U.S. will be worse off, both diplomatically and militarily, if it pulls the plug on the treaty.

Both superpowers are hedging their bets by proceeding with new military programs that will confront them with stark choices about whether to maintain even the pretense of compliance. The U.S. is facing that dilemma almost immediately. The nuclear-powered submarine U.S.S. *Alaska* is due to be launched by the Electric Boat Division of the General Dynamics Corp. in Groton, Conn., next month; it will begin sea trials in the fall. With that boat in service, the U.S. may, for the first time, be definitively and deliberately in violation of SALT.

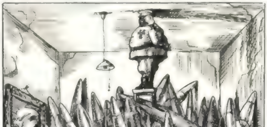
Among the ceilings established by SALT II is a limit of 1,200 launchers for long-range ballistic missiles with multiple independently targetable re-entry vehicles (MIRVs). The *Alaska's* 24 Trident rockets, each with eight thermonuclear warheads, would put the American total of MIRVed ballistic-missile launchers at 1,214.

To avoid violating SALT II, the U.S. would have to take out of service one of its 31 older, smaller Poseidon submarines or remove some land-based Minuteman III ICBMs. In the past, as new U.S. weapons have been deployed, older ones have been dismantled or converted to other uses. For example, the five-year SALT I agreement on offensive weapons, which Nixon signed in 1972, limits the number of submarine tubes each side can have. During the 1970s, as the U.S. Navy built Poseidons, it would dismantle their predecessors and display the pieces on docks so that Soviet spy satellites could see proof that the U.S. was staying within the SALT I limits. This practice continued even after SALT I expired in 1977. The Soviets have done much the same.

Compliance with SALT II is a trickier matter for the Reagan Administration. The Senate never ratified the treaty, and even if it had done so, the pact would expire at the end of next year. Reagan campaigned against SALT II as "fatally flawed." Throughout his first term, informal observance of the expired SALT I agreement on offensive weapons and the unratified SALT II treaty was explained as an "interim restraint," a stopgap that would give the U.S. a chance to negotiate new agreements and to head off what military planners call "breakout." That is what happens when one side unilaterally declares itself no longer bound by arms control and suddenly fields large numbers of new, threatening and hitherto prohibited weapons.

In 1982 Reagan hoped to improve on SALT in what he called the Strategic Arms Reduction Talks. But after 18 months of mutual stonewalling in Geneva, those negotiations collapsed a year ago when the Soviets went home and refused to set a date for resumption. With START stalled, the interim restraint has turned out to be open-ended, and it may have to last for a long time to come—well beyond the expiration of SALT II—if arms control is to survive. Some hard-liners seem to be hoping that a tough compliance report this week will set the scene for an Administration recommendation in February not to abide by SALT.

There is good reason to worry about what will happen to the military balance if that view prevails. The Soviets have shown a menacing eagerness to accelerate the buildup of their own arsenal when the arms-control process breaks down. Since leaving START, they have deployed new long-range and intermediate-range weapons against the U.S. and its allies. Whether those deployments prove irreversible or whether they turn out to be bargaining chips that might be traded away in future negotiations, they have complicated the prospects for arms control.



Also, the Soviet Union, like the U.S., is bumping its head against an important SALT II ceiling. Each side is allowed under the treaty 820 launchers for ICBMs with MIRVs. The Soviets have 818. Their new ten-warhead SS-24 may be ready for deployment next year. There is concern among American planners over whether the Soviets will put the SS-24 in existing underground silos, replacing the older ones already there, as SALT II requires, or whether they will keep all their old rockets and build new launchers for the new missiles. They could also deploy their other new missile, the smaller SS-25, by building new launchers for it rather than retiring older missiles. They would be doing so in defiance of SALT but gaining a major military advantage in the process. These would be classic cases of breakout. The Congressional Research Service, which supplies members of Congress with background reports and analysis on policy, has estimated that with SALT still in force, formally or otherwise, the Soviets would have increased their strategic weapons from about 10,000 today to about 14,000 by 1994 while without SALT they could have about 30,000. The Federation of American Scientists estimates that the breakout figure would be closer to 40,000.

Soviet decisions could depend in part on American ones. The U.S. is continuing with a number of military programs that the Soviets regard as extremely threatening. One is the Trident submarine program, of which the *Alaska* is the seventh boat in an open-ended series. Another is the President's Star Wars plan for a space-based system to defend the U.S. against a Soviet nuclear attack. The Administration has said that it will accelerate its research on Star Wars in a way that does not contravene the 1972 ABM treaty, which is the only strategic arms-control agreement still formally in force. But that treaty prohibits the development as well as the testing and deployment of space-based defenses. The chief Soviet negotiator in START, Viktor Karpov, complained to his American counterpart, Edward Rowny, last year that the very announcement of the Star Wars program was a violation of the spirit of the ABM treaty.

The Soviets have a vigorous ABM research program of their own, including work on technologies like laser beams. Their radar at Krasnoyarsk could very well turn out to be part of an ABM network. They are poised on the starting line—and perhaps ready to jump the gun—if the U.S. seems committed to a space race.

That is just what worries many critics of Star Wars: the quest for an impenetrable defense will provoke the Soviets into adding offensive weapons while at the same time trying to develop extensive defenses of their own.

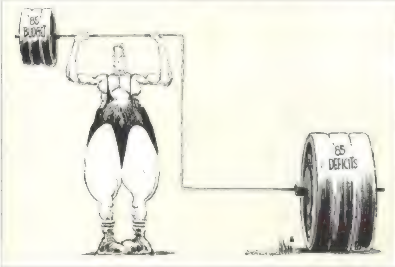
Thus the arms race and the attempt to regulate it are at a turning point. In 1985 either the superpowers will continue to observe SALT as they negotiate toward something better, or the combination of military pressures and political ill feeling will bring the already shaky arms-control edifice crashing down. The choice could be between a continuation of interim restraints and a massive case of breakout on both sides. ***—By Strobe Talbott***

Plunging into the Red Ink

Reagan's budgetmakers find it easier to leak than to cut

Medicaid, veterans' benefits, farm price supports. Civil service pensions, aid to mass transit, student loans. Plus . . . well, not defense or Social Security. But name almost any other federal spending program, and somebody in Washington was telling reporters last week that it might be cut deeply in the budget that Ronald Reagan will send to Congress early next year.

The rumors reflected the frustration of budgetmakers who have been handed an almost impossible assignment. Briefly put, a sharper than expected slowdown in the U.S. economy has made the task of reducing federal deficits more urgent than ever. Nonetheless, for reasons of ideology, politics or both, President Reagan at least for the moment has ruled out all the most obvious methods of stemming the red ink, and the economic slowdown has narrowed the only remaining escape hatch.



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During the campaign, Reagan repeatedly predicted that growth in production and incomes would raise federal revenues enough to shrink deficits painlessly. Figures released last week, however, made it clear that right now the exact opposite is happening. The Government recalculated the third-quarter increase in the gross national product, or total output of goods and services, at a mere 1.9%, *vs.* 7.1% in the previous three months. It reported a 7.3% drop in after-tax corporate profits during the third quarter. Moreover, October reports disclosed a slight but unexpected decline in consumer spending, and much bigger falloffs in housing starts (9.8%) and factory orders for durable goods (4.1%).

Some economists fear that the U.S. might be headed for, or perhaps is already in, a "growth recession." That is a situation in which production rises too slowly to create jobs for growing numbers of people looking for work. So civilian unemployment, now at 7.4%, goes up too. The majority opinion, however, is that growth will speed up again early in 1985. Some reasons: consumers' incomes are still rising faster than prices, which increased at a comfortably modest annual rate of 4.2% in October, and interest rates are shading lower. The Federal Reserve tried last week to nudge that trend along by reducing the discount rate it charges on loans to member banks by a half point, to 8.5%.

Meanwhile, though, the slowdown is causing deficits to shoot up again. Budget Director David Stockman now estimates that, if nothing is done, the shortfall will rise from $175 billion in fiscal 1984, which ended Sept. 30, to $210 billion in the current financial year and only slightly less in 1986. And these calculations assume renewed growth in the economy that the deficits themselves could all too easily retard. For example, a major cause of the current slowdown is the excess of U.S. imports over exports, estimated at a gargantuan $130 billion this year; this trade deficit is aggravated by the budget deficit, which keeps U.S. interest rates and the value of the dollar artificially high.

So something has to be done—but what? Though Treasury Secretary Donald Regan's aides reportedly have completed work on a tax-reform plan to be presented to Reagan, the President has declared that it will be turned into a disguised tax increase only "over my dead body." That leaves drastic cuts in future spending, which Reagan has directed his budget team to prepare. Simultaneously, though, the President told them to keep hands off Social Security and military outlays. Add some truly uncontrollable items such as interest on the national debt, says Washington Economist Michael Evans, and in effect "70% of the budget is off limits to cuts before you even start."

Reagan left Washington to spend Thanksgiving at his ranch in California without giving his budgeteers any clear idea of what cuts he might accept in the remaining 30%. In his absence, aides filled the press with speculation, seeking to test congressional and public—and no doubt White House—reaction to recommendations they might make when Reagan returns this week. Some were obviously prompted by a sweeping study prepared by the Heritage Foundation, a conservative think tank that takes credit for many of the initiatives launched in Reagan's first term (*see box*). Among the programs getting the most scrutiny from budget cutters:

Medicaid. Federal grants to states under this program, which helps the poor pay hospital and doctor bills, totaled $20 billion in fiscal 1984 and are expected to rise to $25 billion in 1986. The Heritage Foundation recommended a number of changes, and Administration officials let on that they are seriously considering at least one: reducing grants to states in which health-care costs are rising especially rapidly, presumably because those states are making inadequate efforts to hold them down.

Veterans' Benefits. Outlays are expected to increase from $25.9 billion in 1984 to $27.5 billion in 1986. They could well explode in a few more years, as millions of World War II veterans turn 65 and qualify for free treatment in Veterans Administration hospitals. Budget planners are considering various ways of holding down the cost, perhaps by instituting a means test or limiting care to veterans with service-connected ailments (a mere third of those now being treated in V.A. hospitals, according to one estimate).

Farm Subsidies. Price-support loans and direct subsidies will cost Washington about $12 billion in 1985, down from a record $20 billion two years ago but nearly four times the outlay in the last year of the Carter Administration. Reaganauts grumble that the subsidies are distorting the farm economy. They complain, for example, that some processors are turning out cheese in 7-lb. blocks suitable primarily for storage by the Government. Administration officials talk rather vaguely of shifting to lower supports over a three-to-five-year transition period.

Civil Service Pensions. Employees who were added to the federal payroll after last Jan. 1 are covered by Social Security, but some 2.8 million who were hired earlier as well as 1.9 million retirees or their beneficiaries enjoy a more generous plan. For example, after 30 years of service, they can retire on full pension at 55. The total cost of civil service pensions in fiscal 1984 was $21.9 billion. Reagan's budgeteers have outlined a fairly detailed plan to increase employee contributions to the program, reduce future cost of living increases in the pensions, and raise the age for retiring at full pension to 62 or 65.

Budget planners are talking up such recommendations as a new attempt to slash or eliminate federal operating subsidies for mass-transit systems, enact new restrictions on Government-subsidized student loans, consolidate and reduce many federal grants to localities, and perhaps abolish the Department of Education. But they are pointedly not discussing any further slashes in programs such as food stamps and welfare that make up the so-called social safety net. Vows one planner: "There will be virtually nothing in this budget that can be construed as an attack on the poor."

DAVID HUME KENNERLY

Regan and Stockman ponder their advice to the President

A temporary stall or a "growth recession"?

Until the President indicates what cuts he might choose, only two predictions seem safe: 1) whatever reductions he recommends will arouse bitter resistance from some of the best-entrenched lobbies in Washington (one senior Administration official comments wryly, "The starting presumption is that every one of the options will be politically impossible"); and 2) even if all the cuts now rumored could be enacted, they probably would not accomplish the Administration's goal of cutting the deficit roughly in half, to about $100 billion, by fiscal 1988 (planners no longer even talk about achieving a balanced budget during the Reagan presidency).

Some White House aides muse that an across-the-board freeze in domestic spending would save more money and stir less passionate opposition than cuts in specific programs. But that approach would present problems too: Congress might demand that military outlays be included, while Reagan would insist that they be exempted.

One uncertainty should begin to clear up this week. The Republican Senate majority will elect a new leadership Wednesday, so the White House will at least know with whom it will have to negotiate in the upper chamber. The Democrats controlling the House, however, may take a bit longer to select a Budget Committee chairman. In any case, though Congress has the final budgetary say, it will wait for a lead from Reagan—just as his own Administration is now doing. At budget-cutting time, it gets lonely at the top. ***—By George J. Church. Reported by Neil MacNeil and Christopher Redman/ Washington***

Thunder on the Right

Not the least of the Heritage Foundation's appeal to President Reagan is that its analysts have mastered the scholarly equivalent of the famous memo style he requires of his own staff members: short, uncomplicated and easy to read. Except for occasional Government-wide surveys like last week's *Mandate for Leadership II*, Heritage writers are guided by the rule of thumb practiced by Edwin J. Feulner Jr., the foundation's president and co-founder. Says he: "If the Heritage study is thin enough to make it into a Congressman's briefcase, half the battle is won."

Started in 1973 by Feulner and Paul Weyrich, who now heads a conservative political-action committee, Heritage is currently the hot shop in the public policy industry. In contrast with the liberal Brookings Institution and conservative American Enterprise Institute, which encourage scholars to produce thoroughgoing reports at their own pace, Heritage expects its researchers to study topical questions, work on tight deadlines and strive to get their results noticed or, better yet, acted upon. New studies are hand-delivered to every Cabinet officer and member of Congress. The names and specialties of 1,500 congressional aides, 700 Executive Branch staffers and 3,000 journalists are stored in Heritage's computer, so that reports and press releases can be targeted to opinion leaders in various fields. So far this year, Heritage has churned out 219 publications in its basement printing plant. Says Burton Yale Pines, director of research: "We want to ensure, in this war of ideas going on, that conservatives are represented."

CYNTHIA JOHNSON

Feulner: the hot shop in public policy

The Reagan Administration was quick to recognize the foundation as a fertile source of intellectual support, putting about two dozen Heritage staffers on transition teams in 1980. After a Heritage study concluded that the United Nations' law of the sea treaty ran against U.S. interests, the President canceled U.S. plans to approve the pact, which has been signed by more than 125 nations. When Foundation Scholar Stuart Butler adapted a British notion in a proposal for inner-city enterprise zones, both Reagan and Conservative Congressman Jack Kemp enthusiastically backed the idea. The Administration also accepted Heritage recommendations favoring the accelerated leasing of federal lands for energy development. Altogether, of some 1,300 specific proposals urged on the President early in his first term by Heritage, Feulner claims that more than 60% have won favorable action.

Heritage was founded with a grant of $250,000 from Joseph Coors, the Colorado brewing magnate and backer of conservative causes. Today it receives about a third of its $10 million annual budget from foundations, many of them begun by ideological sympathizers like Pittsburgh Moneyman Richard Mellon Scaife and Industrialist John Olin. Another third is contributed by business corporations, though Heritage's rigid opposition to Government regulation and protectionism has angered executives of some major corporations that profit from such measures. The final third comes from 130,000 individual donors.

Researchers at the more traditional think tanks sometimes speak disdainfully of Heritage's emphasis on lobbying and publicity. Feulner admits that the more deliberative institutions produce most of the genuinely original research in public policymaking. Says he: "We're secondhand dealers in ideas." Yet even liberals in Washington acknowledge, sometimes ruefully, that Heritage's mostly young analysts (the staff of 105 includes 53 professionals) are extremely effective at getting across their point of view. "That feisty new kid on the conservative block" is the kudo offered by one Heritage fan. His name: Ronald Reagan.

The Presidency/Hugh Sidey

Checking the Balances

The dark blue Lincolns cruise the Washington streets from sunup to midnight. Inside are shadowy predators of the political jungle curled around their cellular phones, eyes alight and voices urgent, positioning themselves in the great power struggle that has now been joined.

Big Labor and Big Business and Big Education and Big Government are all jittery. "There are for the time being power vacuums at both ends of Pennsylvania Avenue," says Oklahoma's James Jones, chairman of the House Budget Committee in the expiring 98th Congress. He is debating whether to seek an unprecedented third term in that critical but trying position.

The White House is deceptively calm, its boss off on his California ranch gathering strength by clearing brush and repairing fences. Nobody will know for certain the shape of his trillion-dollar budget until he hears the options and decides. Predicting Reagan's course is hazardous.

C.J. YEH

Madison: "to counteract ambition"

Each rumor sends a shock wave through Washington. Veterans' groups protested when stories appeared suggesting that their hospital benefits would be cut. Government employees cried out when it was reported that their pension increases would be modified downward. Farm lobbies screamed over the possibility that subsidies would be hacked. Education groups rallied against the hint that Reagan would try again to eliminate the Department of Education. "The best thing to do," declared a member of the Business Roundtable, "is pull up a chair and watch the poker game." It is some game.

On the Hill the word went out from influential young Democrats, disillusioned by the massive defeat of their party, that Speaker Tip O'Neill would be little more than a ceremonial figure in the coming struggles. "His practical power days are over," said one. But the problem remains: Who leads the Democrats and where?

"It's all negative," says one of David Stockman's men down at OMB. "The Democrats are all fighting to avoid change. They cannot get increases in funds, so they are all battling to block the cuts proposed. We have a system for inertia." That may not all be bad for now.

James Madison, who did so much to write into our Government its elaborate system of checks and balances, would have managed a smile. "Ambition must be made to counteract ambition," he wrote in 1788. "In framing a Government which is to be administered by men over men, the great difficulty lies in this: you must first enable the Government to control the governed; and in the next place oblige it to control itself."

Madison never envisioned what we have today: thousands of well-financed special interests contending with each other and the Government while the nation watches through the media. But he knew that some sort of power balance was necessary to preserve "the rights of the people."

There is no consensus among business leaders on how to reform taxes. There is no unity among labor barons on how to deal with Reagan. The President's Cabinet is split on policy, both domestic and foreign.

The founding fathers granted the President a little edge, something Alexander Hamilton called "the vigor of the executive authority." The capital now awaits the exercise of that authority. Reagan is the only person right now who can set an agenda, who can define national priorities and avoid a Government gridlock that is too near to dismiss. "There is a crisis," says Jim Jones. "Reagan has got to define that crisis for the nation." Reagan spent most of the campaign painting a picture of national well-being, so these next weeks will require a large measure of tact and political suppleness. If he succeeds, he will have mastered Mr. Madison's system of checks and balances.

Giving Notice

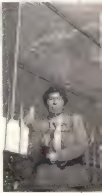
Kirkpatrick's long goodbye

The U.S. Permanent Representative to the United Nations, Jeane Kirkpatrick, has made no secret of her desire to leave her Cabinet-level post after the current General Assembly session ends in December. The only question during the past year was whether she would return to private life or move into one of the handful of policymaking jobs in Washington that appeal to her formidable intellect. In the days after the presidential election, her choice was rapidly narrowed as Ronald Reagan issued, and was taken up on, reappointment offers to the incumbent Secretaries of State and Defense, the National Security Adviser and the head of the Central Intelligence Agency. That was just about the extent of Kirkpatrick's wish list.

Without notifying the President in advance, Kirkpatrick announced her plans last week to step out of public life. "I am absolutely not being coy about it," she said. "I have an intention and that is my intention." Well, perhaps. But only a couple of hours later the U.N. Ambassador ordered a wire-service reporter dressed down for making her decision sound irrevocable in his story, and indeed she did not specifically rule out taking another post in the Reagan Administration. Many Washington insiders concluded that Kirkpatrick was engaged in calculated job jockeying. Said an Administration official: "It's her way of getting Reagan's attention."

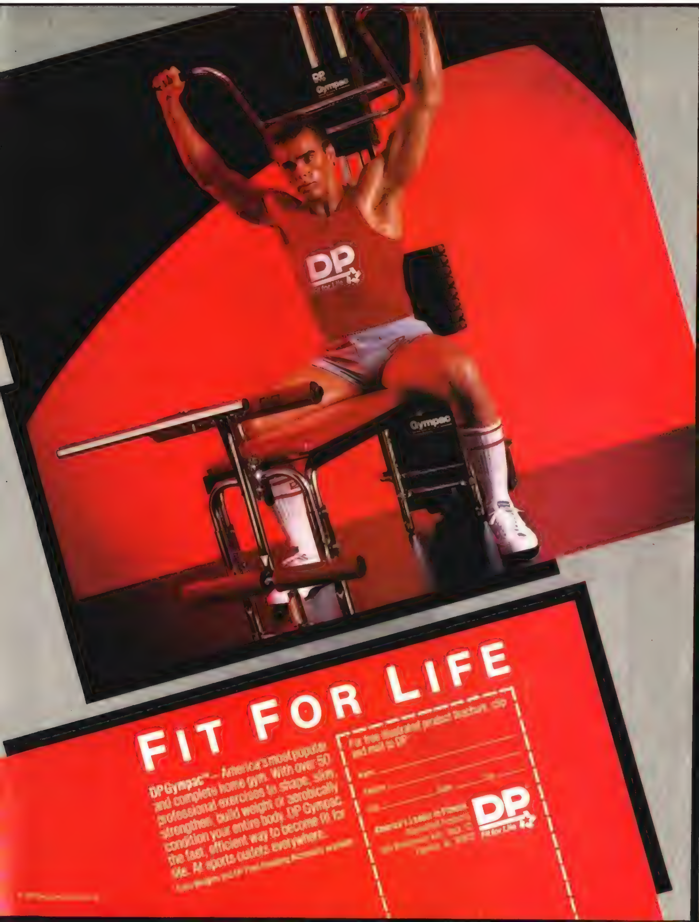
An unhappy departure by Kirkpatrick could prove politically costly to Reagan. Though she styles herself a lifelong Democrat, her forcefully conservative foreign policy views have proved enormously popular with the Republican's powerful New Right adherents, who accorded her one of the G.O.P. Convention's most effusive platform welcomes last August in Dallas. Kirkpatrick has reportedly turned down several offers of an ambassadorship, including the prestigious posting to Paris. "I don't know if there is anything in Washington for her," said one White House official, who quickly added, "I mean something that would befit her qualifications."

One result of Kirkpatrick's remarks may have been to hasten an audience with the President. Instead of waiting for the final 1984 meeting of the General Assembly, Kirkpatrick hopes to talk to Reagan about her future within the next week or so. At that point, both her intentions and those of her boss should become clear once and for all. ■



DIANA WALKER

Kirkpatrick



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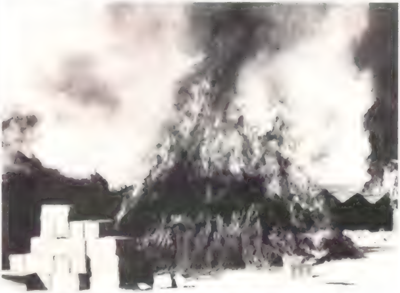
"The Bust of the Century"

Lawmen crack down on international drug traffickers

It is hardly an exaggeration to call the battle of governments against the international drug trade a war. Consider the elements: airplanes, ships, guns, vast sums of money, raids on enemy territories. In the past few years, the U.S. has fortified its resources and strengthened ties with its allies in the global fight against narcotics dealers. For a while it seemed the forces of law were winning. But it now seems that the U.S. is facing an enemy more powerful and elusive than previously thought. November brought troubling incidents in Mexico, Colombia and Peru, three major fronts of the drug war:



Part of the 9,000-ton booty goes up in smoke in Las Changas Villa Aldana, Mexico

"It represents what we thought was 75% to 80% of our annual consumption."

▶ "It's the bust of the century," said Jon Thomas, U.S. Assistant Secretary of State for International Narcotics Matters. Mexican drug agents, with the cooperation of U.S. Drug Enforcement Administration (DEA) officials, seized and destroyed a record 9,000 tons of marijuana in raids on five plantations in Mexico's northern state of Chihuahua. (The previous record drug bust took place in 1978, when 570 tons of marijuana were seized in Colombia.) In the U.S., the Mexican pot would have had a street value of about $4 billion, according to Mexican judicial officials. The sheer volume may prompt a reassessment of drug traffic and use in the U.S.

▶ The code name for the Colombia operation was Hat Trick. The plan was to deploy dozens of Coast Guard and Navy vessels across a wide sweep of the Caribbean to intercept the huge shipments of marijuana that are transported from Colombia to the U.S. at the conclusion of the pot harvest in November and December. The elaborate strategy called for Colombian soldiers to move against marijuana traffickers in the Guajira Peninsula, between the Gulf of Venezuela and the Caribbean. With Venezuelan and Panamanian soldiers guarding their respective borders, the smugglers would be forced to ship out the marijuana. At sea in the Caribbean, they were to be met by American vessels. The pot would be confiscated and the smugglers arrested. Operation Hat Trick was big, ambitious and, supposedly, highly secret.

But word of Hat Trick began leaking almost as soon as the plan was launched about four weeks ago. Federal officials said last week that while the scheme had been "modestly successful," American and Colombian press reports had helped warn drug traffickers of the supposedly clandestine operation. Bad weather may have hurt the operation by delaying the harvest and the shipments. Nevertheless, Operation Hat Trick will continue.

▶ In Peru, American officials are concerned about leftist guerrillas who may be working with narcotics traffickers to end a U.S.-financed program that hires Peruvian workers to destroy coca plants, the leaves of which are used in the manufacture of cocaine. Two weeks ago antidrug laborers were attacked in the middle of the night in a house where they were sleeping. According to an eyewitness account, about four unidentified men burst into the building and began firing shotguns and revolvers. At least 15 workers were killed and three were wounded.

Several hours later, a merchant in the area was slaughtered in his home. The murderers reportedly left handwritten signs reading "This is how servants of the government die." Last week authorities recovered the mutilated bodies of four U.S.-employed surveyors. Felipe Paucar, president of an agricultural cooperative in Lima, speculated that the men had been murdered by members of the Sendero Luminoso (Shining Path), a Maoist terrorist group. "I think it was Sendero," said he, "because of the way they were cruelly tortured: their fingers were cut off, their tongues were cut." The U.S. has suspended the coca-eradication program pending investigation of the killings.

It was the Mexican marijuana enterprise that truly stunned U.S. officials. The plantations, located in high, arid country, included huge barns for storing bales of the drug, drying and packaging facilities, a 30-truck parking lot and, allegedly, some 7,000 campesinos who were being used as slaves. The peasants had been lured to Chihuahua with the promise of earning 3,000 pesos ($14.70) a day for harvesting fruit. At the cannabis plantations, they were forced to work at gunpoint. They were herded into the fields at 4 a.m. and worked incessantly until 10 at night. They ate once or perhaps twice a day. The strongest were given scissors to cut the marijuana branches and separate the seeds, while the children and the old men packaged the pot in bundles of no more than 10 kilos each and loaded the packets onto trucks. The campesinos were threatened with execution if they tried to escape. Some of them claimed that five had died while working on the plantations, but the authorities found no trace of human remains.

The amount of marijuana seized was staggering. U.S. officials had estimated that in 1983 only 1,300 tons, or some 9% of the marijuana consumed in the U.S. that year, was produced in Mexico. The amount found in Chihuahua alone was seven times as great as that estimate. "It represents what we thought was 75% to 80% of our annual consumption," said Thomas.

The latest estimates said that Colombia provided 59% of the pot smoked in the U.S., with 6,000 to 9,000 tons smuggled into the country last year. Jamaica was believed to have provided 13%, while 11% was grown domestically and 8% originated in Belize, Thailand and other countries. It was believed that 20 million Americans smoked marijuana regularly. All these estimates may be quite inaccurate, given the implications of the huge bust in Mexico. Said a DEA spokesman of the numbers: "We may have goofed." —***By Jacob V. Lamar Jr. Reported by Bernard Diederich/Miami and Larry Wippman/Lima***

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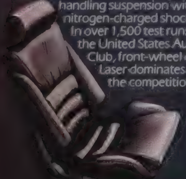

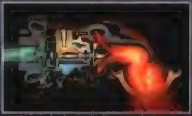

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A true story by
Wilton Hildenbrand

I never made "real money" until I quit working for someone else and started my own Duraclean business

"When I was with the New York City Fire Department—with a wife, and three children to raise—I felt I spent most of my time putting out financial fires at home! It occurred to me that I could never achieve the financial security and independence we craved working for someone else. The obvious answer—start a business of our own. But what? Sure, we had been able to put a little money aside, but nowhere near what it takes to start most businesses. I looked for something I could get into with a small amount of borrowed money.

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"Marge, my wife, discovered the perfect answer. She had run across a Duraclean story—a message much like this one—and we looked into it. Well, believe me, when we saw the superior Duraclean service demonstrated and found out what a low investment it took, we were sold.

"With a fireman's schedule, I was able to start out in my spare time. (I didn't want to burn all my bridges behind me.) Marge and I mailed out company provided mailings describing our service and soon the phone began to ring. She made the appointments. I rendered the service. When we discovered how much money there was to be made in a Duraclean dealership, I took early retirement from the fire department. Before long, I had to hire part-time servicemen. Soon, profits paid for our first van. Now most of the work is done by our four servicemen. Marge schedules the jobs, sends out mailings and does the bookkeeping. I do the job estimating, special spotting jobs and contact new prospects."

Now at this point you're probably asking yourself, what is this Duraclean business Wilt Hildenbrand keeps raving about? Well quite simply, it's a unique, superior system for cleaning upholstered furniture, rugs and carpets (don't confuse it with "steam cleaning" or ordinary shampooing methods). It not only cleans but restores and revives colors. It does not wear down the fiber or drive the dirt into the base of the rug as ordinary cleaning methods do. Instead it *lifts out* dirt by means of an absorbent dry foam.

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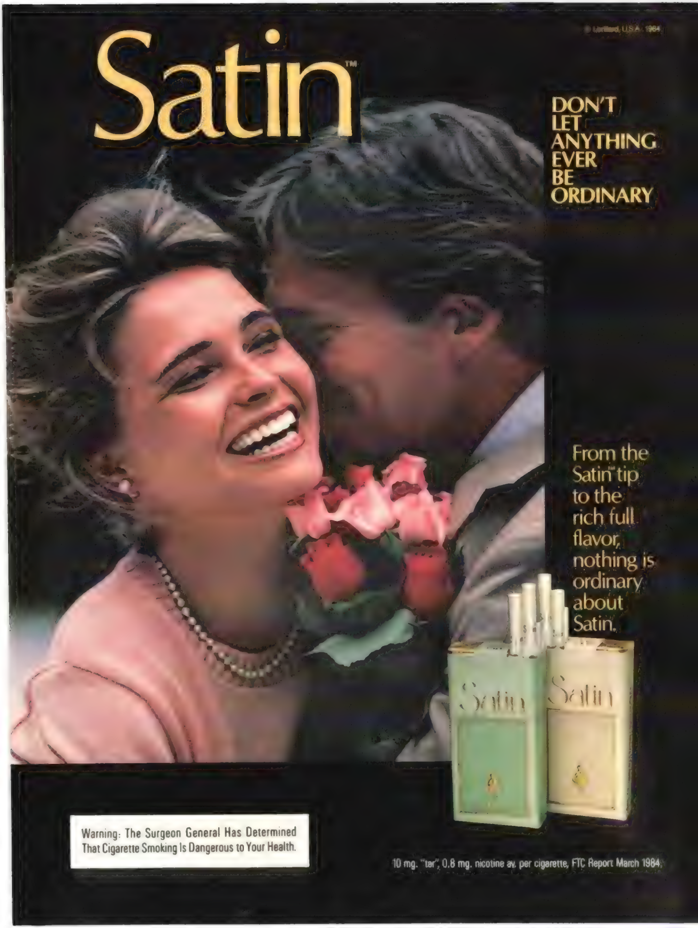

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American Notes

JUSTICE

A FIST for Fugitives

Smith flanked by dragnet officials

U.S. Attorney General William French Smith called it "the largest and most successful fugitive man hunt in U.S. history." The description seemed no exaggeration: over the past two months, more than 3,000 career criminals in eight East Coast states have been arrested for offenses ranging from murder to narcotics to weapons violations. The top-secret operation, called FIST 7, followed six similar dragnets conducted by the Justice Department's Federal Investigative Strike Teams program launched in 1979.

Authorities used elaborate scams to smoke out the wiliest fugitives. In New York City, a "Brooklyn Bridge Delivery Service" mailed invoices to criminals' last known addresses, advising that packages were being held for them. When suspects telephoned to ask what their boxes contained, they were given a description of items tailored to their interests. One rapist, for example, was told that a package held adult toys and pornographic material. When the suspect agreed to take the parcel, the "delivery man" showed up with back-up arrest units.

The only sour note in FIST 7 was struck by the courts. Since the operation began Sept. 20, said Attorney General Smith, judges have released about half of those arrested.

CIVIL RIGHTS

Assailing Black Leaders

Clarence M. Pendleton Jr., the controversial chairman of the U.S. Commission on Civil Rights, angered black leaders last summer when he gently chided President Reagan for catering too much to minorities. Now, in a speech delivered to an Akron business group, he has accused Democratic Presidential Candidate Jesse Jackson, former National Urban League President Vernon Jordan and N.A.A.C.P. Executive Director Benjamin Hooks of encouraging blacks to vote for the losing party, thus leading them into a "political Jonestown." "No more Kool-Aid," said Pendleton, who is black, referring to the cyanide-laced drink that killed the Rev. Jim Jones' followers in 1978. "We want to be free."

Clarence Pendleton

Black liberals were put out by Pendleton's attack. Said Hooks: "The black community has heard the conservative gospel and rejected it." Pendleton also drew fire from Republican Francis Guess, a commission member and Tennessee's commissioner of labor. "The Jonestown analogy was disgusting," said Guess. "And I would be surprised if the President would applaud it."

MILITARY

Gifts for the Admiral

Since last summer, the Justice Department and the House Energy and Commerce Committee have been investigating charges that retired Admiral Hyman G. Rickover, 84, accepted gifts from General Dynamics Corp. while he was head of the Navy's nuclear propulsion program. Last week Rickover's former employer widened the scope of the inquiry. In a letter to Committee Chairman John Dingell, Secretary of the Navy John Lehman said he had named a panel to investigate evidence that Rickover had received gifts from three additional defense contractors: the Newport News Shipbuilding Co., General Electric Co. and Westinghouse Electric Corp. Federal law forbids companies to give presents to Government employees to obtain favorable contracts.

Dingell, a Michigan Democrat, charged that the Navy was trying to divert attention from General Dynamics, which has also been accused of fraudulently claiming cost overruns. Lehman, said Dingell, wanted to avoid disruption of Navy business by setting up a commission to study the problem "to death."

Rickover has admitted receiving "small gifts," but insists he never favored any company. According to House investigators, General Dynamics gave Rickover gold-plated fruit knives and more than $1,000 worth of jewelry for his wife.

CRIME

Violence at Abortion Centers

The first explosion occurred shortly before dawn last week at an abortion clinic in Wheaton, Md. Eleven minutes later, a second bomb blast shook a Planned Parenthood office one mile away, in Rockville. No one was hurt, but the eleven-year-old abortion clinic was destroyed, and the Planned Parenthood office sustained an estimated $50,000 in damages.

BENNETT—UPI

Wheaton center

The attacks were the latest in a nationwide series of violent protests against abortion clinics and family-planning centers. According to Planned Parenthood, fires or explosions have damaged 20 such facilities so far this year, up from four in 1983. Although one group, the "Army of God," has claimed responsibility for bombing clinics in Virginia and Florida, most of the events appear to be unrelated.

Antiabortion groups denounced the destruction. But pro-choice advocates called for some White House response. "If any other institutions—churches, schools or even commercial enterprises like McDonald's—were being bombed at the rate of one every two weeks," said Judy Goldsmith, president of the National Organization for Women, "President Reagan would certainly repudiate it strongly."

INVESTIGATIONS

Grounded: One Airline Inquiry

President Reagan has halted a federal grand jury investigation into alleged antitrust violations involving air travel between the U.S. and Britain. In a terse statement last week, the Justice Department said that the decision was based on "foreign policy reasons." Said Department Spokesman Mark Sheehan: "You can't expect the President to explain foreign policy decisions. It is enough for him to consider the factors and decide."

In fact, the inquiry had struck a discordant note in Anglo-American relations. The criminal investigation, begun in 1983, was supposedly looking into the possibility that British Airways and other North Atlantic carriers had conspired to cut prices to drive Britain's Laker Airways out of business. Before his airline went bankrupt in 1982, Freddie Laker had offered round-trip fares between London and New York for as little as $236.

Britain, which permits its airlines to confer on prices, contended that the matter was beyond the reach of American law. Since August, the British have refused to approve proposed lower transatlantic winter fares, claiming the move could invite further U.S. antitrust actions.

The horror of a holocaust: soaring flames from the gas complex singe the sky with a ghastly glow as local residents look on

MEXICO

Fire in the Dawn Sky

An inferno kills hundreds and devastates a teeming shantytown

THE DEVIL GOT UP EARLY THIS MORNING, the headline in *Ovaciones* said afterward. *Madrugó el Diablo.*

He got up at exactly 5:42 a.m., just when the coming day seems to hesitate between darkness and dawn. Suddenly a torrent of fire from an exploding gas tank surged more than 300 ft. into the sky over the Mexico City suburb of San Juan Ixhuatepec, splashing it with hellish waves of orange, yellow, red, black. The chill dawn air became searing hot.

Alberto Aquino Hernandez, 28, a truck driver for one of the area's smaller gas companies, had just arrived at the gas-distribution center operated by Petróleos Mexicanos (Pemex). "I was counting my cylinders of liquid gas when everything exploded," he said later. "The explosion knocked me off my truck. There was fire everywhere. I started running. My clothes were on fire, my jacket and shirt. My hair was on fire. Somehow I managed to smother the flames, and then a bus stopped and took me to a clinic."

Antonia Moreno was getting her husband Rafael, a warehouse janitor, off to work. "The earth shook and we heard thunder," she recalled. "We could see flames all over the sky and a lot of black smoke." The couple fled with two of their children (two others were spending the night with their grandmother). They dashed out of their tin-roofed, corrugated-cardboard hillside house and began running. They saw their neighbors running too, many in their nightshirts or underwear. "Some people were half-naked, and they burned their feet because the ground was so hot," Antonia Moreno said. "Nobody had time to pick up anything. We began to climb the hillside because the heat was really unbearable. All the little houses at the bottom of the hill caught fire. We thought it was the end."

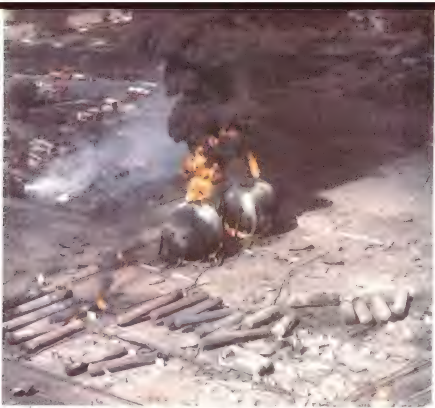
The series of explosions not only destroyed four spherical tanks, each holding at least 420,000 gal. of liquefied gas, but also sent enormous steel shards spearing into houses. Then came several more blasts as 48 smaller containers exploded. One 50-ft.-long propane cylinder soared through the air and crushed a house half a mile away. In all, more than 30 acres of working-class housing were destroyed, another 30 heavily damaged.

The death toll kept climbing as the most seriously burned succumbed. At week's end the official figures were 365 dead, 2,000 injured. A third of the injured were not expected to live. It was the worst disaster in Mexico since an earthquake killed more than 500 people in 1973.

It was 7:30 a.m. before fire fighters could get the flames sufficiently under control for the first rescue workers to enter the devastated area that its people call San Juanico. They found corpses carbonized in pitiful gestures of self-defense. Some were huddled together; others lay alone in their beds, arms raised in helpless protest.

Most of the dead had been so badly burned that they could not be identified. Often nothing remained but charred bits

Two victims in a Pompeian death frieze



From above, the burning tanks look like deadly cherry bombs perpetually ablaze

NOVEDADES—SIPA SPECIAL FEATURES

and pieces. Rescue workers brought out the remnants in plastic bags. By Tuesday evening, 272 coffins were taken to the cemetery in the nearby *barrio* of Caracoles, where Caterpillar tractors dug two trenches about 200 ft. long and 10 ft. deep. The coffins were stacked in the mass grave, covered with lime and then buried. A crowd of 10,000 clutched flowers and murmured prayers.

On the day of the mass funeral—which was also the 74th anniversary of the Mexican revolution and therefore had to be commemorated, after a moment of silence, by a marathon and a parade—Mexican President Miguel de la Madrid Hurtado and several top officials helicoptered into ruined San Juan Ixhuatepec.

"From the air," reported TIME's Andrea Dabrowski, the only journalist on the mission, "the ravaged area looks like a surrealistic patchwork, with a few brick and adobe houses still standing defiantly erect alongside the skeletons of completely scorched buildings. Down on the deserted streets, a choking gray dust now covers everything. A stray dog searches for its owner and snaps at anyone who tries to peer through what was once a window. The destruction seems haphazard. A completely undamaged kitchen with a green refrigerator opens into the hulk of a demolished bedroom. Fragments of lives are scattered everywhere, here a flowered water jug, there a statue of the Virgin Mary, her severed head resting a few steps away from her folded, praying hands."

The 100,000 evacuees took shelter in more than 40 temporary rescue centers. President de la Madrid toured one of these and watched swarms of children and their families gulping beans, rice and tortillas. "We are with you," he said. The government's relief effort was fast and effective, particularly for a nation that has been afflicted by recession, budget cutting and widespread corruption. Some 5,000 police and federal troops sealed off San Juan Ixhuatepec to prevent looting (27 looters were arrested). An additional 3,000 health workers, with 450 ambulances, sped the injured to hospitals and clinics. Within two hours after the government's first radio appeals for food, clothing and blood, the contributions began pouring in.

Only the remnants of a stone wall remain where once a town stood

DORANTES—GAMMA/LIAISON

On behalf of Washington, U.S. Ambassador John Gavin sent a check for $25,000, adding praise for "the generosity of individual Mexicans toward their countrymen." The compliment was well earned. On the morning of the explosions, neighbors in the surrounding community of Tlalnepantla took up a collection and then brought to San Juan Ixhuatepec boxes of crackers, canned vegetables and medicines. Next day they established themselves just outside the military cordon and distributed supplies to anyone who asked for them. By Wednesday there was such a flood of food and clothing that the radio called for a halt.

Strangely enough, nobody seemed to know exactly how the explosion in the 18-year-old plant had occurred. Pemex officials first insisted that a fire had started somewhere outside the Pemex facilities, but they equivocated on the details.

However it happened, the disaster was all too predictable. There are always risks in building homes so near a gas-storage plant, but teeming Mexico City (pop. 17 million) overflows with migrants and squatters. The city has about 30 gas plants, and most of them are surrounded by shacks and shantytowns. To move just one of the larger plants would cost an estimated $300 million.

Pemex's safety record is spotty. A 25,000-gal. gasoline-storage tank exploded in the central Mexican city of Tula last January. No one was injured then, but one died and 33 were hurt in another explosion in June in the state of Tabasco. A week later, a pipeline leak in Veracruz intoxicated 16. Inhabitants of San Juan Ixhuatepec claim a fire broke out there last June, but neighborhood protests got nowhere. Pemex Spokesman Salvador del Río denies this, saying that there were no recent fires and that maintenance was "done continually."

Once the fires died down, the survivors returned to sift through the ruins. Raúl Peña Duarte, 44, stared numbly at the rubble of a three-room house that had sheltered him, his wife, four children from ten to 16, his mother-in-law and her sister. "All my family died there," he said. "I had gone to work. They were all asleep. A piece of one of the tanks went through there and then everything burned. I think I will leave here. What's left here?"

At week's end the government announced that it would bulldoze 122 damaged houses still standing in the blast area. Then the whole place will be turned into a park. —***By Otto Friedrich. Reported by Janice C. Simpson/Mexico City***

MIDDLE EAST

An Irreplaceable but Tired Symbol

Arafat fails to heal the divisions within a weakened P.L.O.

The meeting had been promised for nearly a year, then scheduled, canceled and scheduled again. At one point Yasser Arafat vowed to hold it on a boat at sea if no other site could be found. The Palestine National Council, a sort of parliament in exile, finally convened in Amman last week for its annual session. Next to Arafat sat King Hussein of Jordan, who glossed over past differences with the P.L.O. leader to be host to the convention in his capital. “You have defeated attempts to impose guardianship,” Hussein told the delegates, “and proved once again that the Palestine Liberation Organization is the sole legitimate representative of the Palestinian people.”

Hussein and Arafat during the council's opening session in Amman

FRANCOISE DEMULDER

P.L.O. troops training in North Yemen

An army scattered across the Arab world.

Hussein was alluding to the stubborn efforts by Syrian President Hafez Assad to block the session. Though Assad failed, he ordered several Syrian-based factions of the P.L.O. to boycott the proceedings. The meeting thus deepened divisions within the troubled organization, with both pro-Arafat and anti-Arafat sides claiming the cause of a Palestinian homeland as their own. Whether or not the rift hardens into a permanent split, the internecine conflict promises to weaken further the organization that has come to represent the hopes of 4 million Palestinians.

The animosities within the P.L.O. were tragically reflected last week in the Israeli-occupied West Bank and Gaza Strip. On Wednesday, pro-Arafat and anti-Arafat Palestinian students held noisy rallies at Bir Zeit University, northeast of Jerusalem. After the demonstration, some of the students began stoning cars; Israeli soldiers pushed the students back onto the campus. The Palestinians threw rocks at the Israelis, who responded with tear gas. An Israeli army spokesman said that the soldiers had to fire to “extricate themselves” from the crowd, but a television clip showed one soldier at the head of a squad approach a group of stone throwers and fire his gun, thereby setting off further clashes. One student was killed, and four were wounded. One Israeli soldier also was injured. In Ramallah the next day, Israeli troops broke up a mob of about 50 Palestinians who were throwing stones at Israeli cars. One student was killed and another wounded.

The P.L.O.'s divisions were evident from the start of the five-day Amman conference, when roll call was taken and the names of missing delegates echoed through the Hussein Sports City auditorium. Since the Israelis would not allow the 180 delegates who live in the West Bank and Gaza Strip to attend, only 249 members of the 374-seat council were needed for a quorum. To cobble the necessary numbers, Arafat aides persuaded the deputy speaker to appoint several dozen loyalists temporarily to vacant seats. On the second day the delegates voted to dismiss Khaled Fahoum, the council speaker and an Assad ally, and replace him with Sheik Abdul Hamid al Sa'eh of Jordan.

Amman resembled an armed fortress, mostly out of fear that Arafat or Hussein might be assassinated. Green-bereted soldiers stood watch on rooftops, roads were blocked, and helicopters clacked overhead. At the Regency Palace Hotel, where Arafat stayed, P.L.O. aides tested the food before it was served. The city held a bitter nostalgia for host and guest alike: in what became known as the “Black September” of 1970, Hussein's army began to expel the P.L.O.'s guerrillas from Jordan.

Dressed in a khaki army jacket and black-and-white kaffiyeh, Arafat looked incongruous in the sea of dark business suits. Peppering his talk with quotes from the Koran, Arafat called for more terrorist operations against Israel. Though he did not mention the P.L.O. dissidents or Assad by name, Arafat obliquely admitted his own fallibility by referring to “some errors” in the Palestinian movement. Nonetheless, he asked for a vote of confidence. “I will accept any verdict or judgment,” he declared.

In his opening address, King Hussein stressed peace and negotiations, not terrorism. He urged the P.L.O. to seize what he called “a last chance” by joining Jordan in an international peace conference under United Nations auspices that would work toward establishing a Palestinian homeland. The plan, first proposed by Moscow, calls for both the U.S. and the Soviet Union to participate, along with Israel and Arab countries. The Jordanian monarch, who broke off talks with Arafat in April 1983, took a polite dig at Arafat's legendary indecisiveness. “The justification of the existence of a leader rests on his fulfillment of his responsibilities with wisdom and courage,” Hussein declared. “It is not indefinite suspension but proper utilization that endows time with meaning.”

Throughout his career, Arafat has made P.L.O. unity his paramount concern. The result, more often than not, has been paralysis. While hard-liners grew angry with Arafat's reluctance to embrace only violence, moderates became frustrated by their leader's failure to pursue diplomatic initiatives that might lead to the creation of a Palestinian homeland. When a group of Arafat's followers broke away in May 1983, it became clear that the dispute was no longer just about policies; it was also about Arafat. The rebels were led by Abu Mousa, a former commander in the Bekaa Valley, who was upset over the promotion of two comrades. Syria's Assad, eager to seize control of the Palestinian movement, fanned the revolt by giving Abu Mousa's troops financial aid and a safe haven in eastern Lebanon. “The Syrians want Arafat's head,” recently explained Abu Iyad, the P.L.O.'s chief political strategist. “They want to remove the symbol of the revolution because their real aim is to have the P.L.O. as a political card in Assad's pocket."

Arafat retains control over Fatah, the largest of the nine groups that make up the P.L.O. Based in Tunis, Fatah accounts for 60% of the organization's estimated 35,000 fighters. Yet Arafat's soldiers are scattered across camps in seven Arab countries. Some 3,000, for example, live in North Yemen, more than 1,300 miles from Jerusalem. Abu Mousa's rebels, believed to number under 2,000, belong to the National Alliance, a Damascus-based amalgam of anti-Arafat groups backed by Syria and Libya. Caught between the two camps is the Democratic Alliance, a Marxist-oriented collection of P.L.O. branches that tries to retain as much freedom from Syria as possible, although it is also headquartered in Damascus. After three months of bargaining last spring, senior Fatah and Democratic Alliance officials agreed to a ten-point plan of reforms, including a collective leadership to replace Arafat's one-man rule and a 40-member executive council to oversee the P.L.O.'s decisions. The National Alliance would not buy the plan.

Early last week two leaders of the Democratic Alliance, Dr. George Habash and Nayef Hawatmeh, were summoned to Moscow. Though both men have been critical of Arafat, it was believed that they would prefer to settle their differences within the Palestinian council. The Soviets, moreover, are unhappy that their two major allies in the Middle East, Assad and Arafat, are at odds. Nonetheless, Assad prevailed: rumors that Habash would defy the Syrian ban and fly to Amman proved false.

Arafat is unlikely to urge the council to do anything that might worsen the rupture. When the new, 14-member P.L.O. executive committee is elected this week, several seats are expected to be left vacant for Democratic Alliance members. Whatever their reservations about Arafat, Alliance officials recognize the value of the P.L.O. chieftain. "As a symbol of the Palestinian conscience, Arafat is irreplaceable," admitted a prominent Democratic Alliance member. "The ideal solution would be to find some way of making him a charismatic leader without the executive power, of kicking him upstairs. But he wouldn't stand for it."

Even if Arafat succeeds in healing the breach with the Democratic Alliance, he will still be plagued by Assad's desire to control the P.L.O. Arafat could cast his lot completely with Hussein if the Jordanian King proved sincere in his desire to negotiate with Israel on the status of the West Bank and Gaza. But that would require decisiveness and imagination on Arafat's part, qualities for which he is not noted. That is why the fervid demonstrations of support for Arafat in the West Bank last week seemed so bittersweet. It is debatable whether any Palestinian leader could have won back West Bank land for his people, but Arafat has yet really to try. —***By James Kelly. Reported by Roland Flamini/Amman and Roberto Suro/Jerusalem***

DELAY—AFP

French Foreign Minister Cheysson with Shultz at the State Department

LIBYA

The Doublecross and the Hit Hoax

Gaddafi humiliates the French, but is stung by Egypt

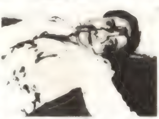
Over the past four months he had signed a treaty of friendship with Morocco and sought to improve relations with West Germany and France. But Libya's mercurial strongman, Muammar Gaddafi, has disappointed Western leaders who may have hoped that he had turned his hand from duplicity to diplomacy. Last week repercussions of his latest antics resounded around the world:

▶ In Chad, at least 1,000 Libyan troops remained in the African country, despite Gaddafi's agreement with French President François Mitterrand, made in September, to remove them. As a result, French troops are on stand-by in neighboring Central African Republic and in Gabon.

▶ In Egypt, President Hosni Mubarak announced one of the year's most bizarre plots: he had succeeded in embarrassing Gaddafi by ensnarling the Libyan dictator in one of his own adventures. The previous day, the Tripoli government radio had gleefully announced that a Libyan "suicide squad" had assassinated former Libyan Prime Minister Abdel Hamid Bakkush in Cairo. In fact, the assassins' plot had been uncovered by Egyptian authorities before the hitmen reached their intended victim. Bakkush was roughed up by the Egyptians, smeared with human blood and photographed to look as if he had been murdered. The pictures were sent to Gaddafi, who immediately took credit for the apparent crime. According to Mubarak, the four gunmen—two of whom were English—revealed details of a Libyan hit list. On it were such leaders as Mitterrand, West Germany's Helmut Kohl, Saudi Arabia's King Fahd, Britain's Margaret Thatcher and India's late Indira Gandhi.

SIMON—GAMMA LIAISON

Strongman Gaddafi



Bakkush poses for his execution

▶ In Washington, French Foreign Minister Claude Cheysson struggled to relieve his country's embarrassment over the Chad affair. Said he: "Gaddafi is a fact. He is the leader of Libya, an independent country. To ignore him would be a political mistake." France has resumed negotiations with Libya over the troop withdrawal, an action opposed by Washington on the ground that there is no point in bargaining with one of the chief instigators of international terrorism. But Cheysson insisted: "What would the U.S. have us do? Enter into war with Libya? The only reasonable policy is the one we have said." In a soothing gesture, Secretary of State George Shultz went for pre-dinner drinks at the French embassy. He skipped the meal.

▶ In Paris, Mitterrand's government was trying to cope with the outraged domestic reaction to the Chad fiasco. Said former Prime Minister Maurice Couve de Murville: "France has suffered one of its most serious humiliations in a long time." Writing in *Libération*, a leftist newspaper, the respected commentator Serge July observed: "The worst in this kind of affair is that everyone expects Mitterrand to be duped, and in the end he is duped. You can't believe your eyes. One asks oneself if there is not something suicidal in Mitterrand's behavior." The barrage of criticism did little to improve Mitterrand's sagging popularity ratings, which had already dropped to 26%, MERCEDES-BENZ

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In spite of the diplomatic debacle, Mitterrand appeared unruffled at a meeting at the Elysée Palace with West German Chancellor Kohl to discuss Kohl's trip to the U.S. and the entry of Spain and Portugal into the European Community. Asked about the presence of his name on Gaddafi's assassination list, Mitterrand said with an impatient smile, "If something happens, we will let you know." Said Kohl: "We will wait to see the developments [of the Egyptian inquiry], and we remain calm." One French official, referring to the arrest of the Libyan assassination team, down-played the Egyptian sting. Said he: "Don't you think that Mubarak is using the affair for his own ends? He has a special ax of his own to grind with Libya."

Mubarak was clearly elated over his triumph. In August the Egyptian President accused Gaddafi of mining the Red Sea and in October of plotting to blow up the Aswan Dam. In neither case, however, did he have solid evidence. But this time, said a Western diplomat in Cairo, "the Egyptians hooked him. He swallowed everything before they hauled him in." British officials are skeptical of the whole affair, and government sources in London have suggested that Egypt has gone slightly overboard in its version of what occurred.

Western analysts were puzzled as to exactly what Gaddafi had hoped to achieve by the assassination of Bakkush or the doublecrossing of France over the Chad pullout. Referring to Chad, Dominique Moïsi of the Institut Français des Relations Internationales, a Paris-based think tank, suggested, "It could be something as simple as Third World pride. He wanted to negotiate on his conditions. He had told the French that he wanted two months to evacuate [instead of the 45 days stipulated in the Franco-Libyan agreement that became effective on Sept. 25]. It looks like he's going to take his two months."

Gaddafi's motives are probably impossible to divine. Recently a team of editors from a major European periodical were granted a rare exclusive interview with the Libyan. The editors were ushered inside Gaddafi's baroque home at a military base outside Tripoli. The dictator was dressed in an all-white uniform and surrounded by a squad of armed bodyguards. But as the interview progressed, the journalists began to realize that their subject was not making sense. No sense at all. In fact, say the editors, the two-hour session was incoherent. Says one of the magazine's editors: "Personally, I think he's just gone ga-ga." —***By Jamie Murphy. Reported by John Borrell/Cairo and Johanna McGeary/Washington***

BRITAIN

The Miners' Moscow Connection

Soviets offer food, cash and vacations to help fuel a strike

It has been a classic thaw. Ever since British Prime Minister Margaret Thatcher proffered an olive branch to the Soviet Union over a year ago with the comment that "we have to live together on the same planet," relations between London and Moscow have steadily improved. According to some, this détente not only has helped spur the renewal of U.S.-Soviet arms talks but has also produced diplomatic rewards for Britain: on Dec. 15, Politburo Member Mikhail Gorbachev will lead a delegation to Britain. This will be followed next year by a visit from Soviet Foreign Minister Andrei Gromyko.

But there is another, darker side to current Anglo-Soviet relations that some Britons see as crude interference in British affairs. Recently, an official of the National Union of Mineworkers announced that the Soviets have donated $1.3 million in cash, food and clothing to help the N.U.M. members continue their bloody nine-month-old strike. This follows a summer when more than 100 mineworkers and their families were provided with free vacations at a resort on the Black Sea. A week ago it was revealed that Arthur Scargill, the militantly Marxist leader of the miners, had made several secret visits to the Soviet embassy in London, apparently in an effort to win greater Soviet support. The Soviets, however, appear to have stopped short of granting one Scargill request—to halt their coal and oil exports to Britain.

DAILY MAIL—SPECIAL FEATURES

Arthur Scargill leaving the Soviet embassy

An effort to win greater support for the union.

With the miners slowly drifting back to work, Scargill is going to need lots of help wherever he can find it. A month ago he turned to Libyan Strongman Muammar Gaddafi for aid—although, apparently, none has yet been received—and he now appears to be seeking continued Soviet support. The Kremlin is not without sympathy for the miners' leader: last year, while visiting Moscow, Scargill noted that the threat to world peace came from that "most dangerous duo, President Ray-Gun and the plutonium blond, Margaret Thatcher." He also attacked the outlawed Polish trade union Solidarity as "an anti-socialist organization which desires the overthrow of a socialist state."

But whether or not fresh Soviet financial help is forthcoming, the tide in the bitter coal strike is turning against the union. In the past three weeks, more than 13,000 striking miners have quit the picket lines. Compared with the early days of the strike, when only 40,000 of the nation's 189,000 N.U.M. members were working, more than 63,000 are now back at their jobs, according to the government's National Coal Board. Hundreds more are returning every day. "Follow me on the road to sanity," urged John Cunningham, a longtime local officer of the N.U.M. in Northumberland, as he went back to work on Nov. 19, one of 2,282 to do so that day. "These strike leaders are hell-bent on destruction."

At one level, the Soviet connection pleases the Thatcher government, providing headlines in the press and questions in Parliament slanted against the miners. At the same time, however, it calls attention to a recent episode that London and Moscow would rather forget. At the end of October, eight days after Thatcher announced the Gorbachev visit, a Soviet trade union official appeared on the main Soviet evening TV news program *Vremya* to announce a total embargo of Soviet fuel exports to Britain. Five days later the embargo was firmly denied by the Soviets, and it was passed off by British diplomats as a mistake by an overenthusiastic functionary.

Both sides want to leave it at that. Even though Scargill claimed last week that the embargo was continuing, the Kremlin was noticeably silent on the subject. Though Britain sees no possibility of a cutoff, it still wants no talk about anything that could threaten the large quantities of Polish coal that it needs in order to help keep its power stations running this winter. And Moscow is highly sensitive to charges that it uses energy for blackmail. Embargo or no, the fact that the Soviets made the threat gives West European governments good reason to recall the Reagan Administration's past warnings: that their increased dependency on Soviet natural gas makes them vulnerable to Moscow's threats. —***By Jay D. Palmer. Reported by Erik Amfitheatrof/Moscow and Arthur White/London***

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[*] Adding insult to Mitterrand's already injured political fortunes, the mayors of Strasbourg and Colmar last week boycotted his formal visit to Alsace in order to protest the transfer of a planned nuclear-research facility from the area to Grenoble.

SCHULZE—VORBERG

The Chancellor: taking a diplomatic breather

WEST GERMANY

Hitting the Road

Kohl tries a change of scene

The plea for special treatment came from a staunch conservative friend and West European ally, so President Reagan was happy to comply. He made a date in his appointment calendar, and this week the White House will roll out its best red carpet for West German Chancellor Helmut Kohl. The one-day working visit will be used by Kohl to fill Reagan in on the latest Franco-German efforts to promote West European political unity and on Bonn's views of East-West relations. But that does not fully explain the Chancellor's eagerness to become the first major West European leader to visit the President since his re-election. Another Kohl motive: to get a breather from the so-called Flick affair, a 33-month probe into alleged political payoffs that has become one of the worst political scandals in West German history.

The name refers to Friedrich Flick Industrieverwaltung KGaA, a Düsseldorf-based firm that is one of the world's largest industrial holding companies. A $3.4 billion concern, Flick has substantial interests in steel, chemicals and banking. It is now run by Friedrich Karl Flick, 57, the youngest and only living son of Friedrich Flick, who began the business in 1915.

In Bonn, the Flick group is known also for dispensing large amounts of under-the-table money to members of West Germany's established political parties. In all, the company is said to have paid some $8.3 million during the 1970s, some of it allegedly in return for political favors. The disclosure of those alleged payments, which began after a tax-related seizure of company documents in 1981, is now reverberating through the West German political system, seriously undermining the effectiveness and perhaps the future of Kohl's coalition government.

AP

Industrialist Flick

The toll of Flick victims has been growing steadily. In June, Kohl's Economics Minister, Otto Graf Lambsdorff, resigned amid accusations that he had accepted $50,000 in 1979 and 1980 in exchange for allowing the Flick firm generous tax writeoffs. Lambsdorff faces trial next January on criminal charges. In October, Rainer Barzel, president of the Bundestag and a senior member of Kohl's Christian Democratic Union, also stepped down. The weekly *Der Spiegel* published a Bonn prosecutor's report that the Flick company had paid more than $700,000 to a Frankfurt law firm, and that the firm had paid the same sum to Barzel. The prosecutor drew no connection between the two fees, but *Der Spiegel* concluded from the payments' timing that the Flick group had decided to use Barzel, then chairman of the Christian Democratic Union, as a consultant in 1973 after he agreed to step down as party leader in favor of Kohl.

Early in November it was the Chancellor's turn to feel the heat. During nearly seven hours of testimony before a special parliamentary committee, Kohl admitted that from 1977 to 1980, when he was leader of the opposition, a Flick executive had repeatedly come to his office to give him envelopes stuffed with cash. Kohl said that he had passed along all the money, which totaled $53,000, to the party. The Chancellor nearly roared his denials to Bundestag Deputy Otto Schily, a member of the environmentalist Greens party, as Schily asked whether Kohl had ever inquired what one of the envelopes contained, or whether he had counted the money. Fumed Kohl: "I see no sense in these questions."

But the Chancellor could offer no explanation for Flick records showing that the firm had paid him more than $200,000 from 1974 to 1980. Nor could he explain other Flick documents indicating that Kohl had offered his party's support for a multimillion-dollar tax break given to the company between 1976 and 1980 by the Social Democratic government of former Chancellor Helmut Schmidt.

The payments, Kohl insisted, were "nothing unusual" because "all political parties have violated the law." Indeed, West Germany's stringent legislation governing political parties, which was finally altered last year, virtually mandated subterfuge in political financing. Under the old law, individuals and business firms were allowed only insignificant tax deductions for political donations. Furthermore, the country's political parties were not classified as tax-deductible beneficiaries for the purpose of such gifts. Accordingly, donors channeled money to recognized nonprofit organizations, such as charities, thus laundering funds that were then passed to the parties. The limits on tax-deductible political contributions have since been substantially raised, and political parties are now classified as tax-deductible organizations.

Kohl's defense managed to slow some of the momentum of the Flick affair, but not much. After the Chancellor returns from Washington and a Dec. 3 summit meeting of West European leaders in Dublin, the special parliamentary committee is expected to resume its cross-examination of Franz-Josef Strauss, the Christian Social Union leader who is the Chancellor's major coalition partner. Last week Strauss angrily denounced the hearings as "a forum for political combat."

The latest public opinion polls show that Kohl's coalition has only 47% support among voters, compared with the 55.7% it gained in the 1983 national elections. The only winners so far in the scandal have been the idiosyncratic Greens, who have increased their popular support from 5.6% in 1983 to 11%. Some Kohl opponents are even predicting that the Chancellor may eventually be brought down by the Flick affair. That still seems highly unlikely. The important damage caused by the scandal so far is that it has overshadowed the Bundestag's other priorities and eroded public confidence in West Germany's political institutions. ■

Staying Home

Genscher shows displeasure

The three-day visit to Poland by West German Foreign Minister Hans-Dietrich Genscher was to be the first by a high-level West German diplomat since martial law was declared in December 1981. But only hours before takeoff last week, a testy Genscher canceled his visit. One major reason: a Polish government suggestion that it would be inappropriate for Genscher to visit the grave of Father Jerzy Popieluszko, the Solidarity supporter who was murdered last month. In addition, the Warsaw regime vetoed Genscher's request to lay a wreath at the grave of a German soldier killed in World War II and refused to grant a visa for the visit to the correspondent of Bonn's conservative daily *Die Welt*.

An embarrassment occurred two days before the planned visit when 192 tourists left the Polish cruise liner *Stefan Batory* in Hamburg; many of them immediately began the quest for asylum. Their example was quickly followed. At week's end West German authorities reported that an additional 126 Poles had jumped ship from the ferry *Rogalin* when it docked in Travemünde, a town near the East German border. ■

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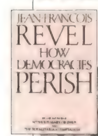
FRANCE

The Case for Pessimism

A distinguished author sees little hope for the future of the West

Modern democracy may be nothing more than an "accident" whose time on the stage of world history is almost over. Its survival in the face of relentless Communist success is highly unlikely, and will be decided before the end of the century. The West will have no one but itself to blame for its demise.

Those bleak observations are not the distilled fantasies of the Kremlin. They are the benchmarks of reality, according to Jean-François Revel, 60, the distinguished journalist, iconoclastic philosopher and persistent gadfly of French politics. In his profoundly pessimistic view, the West is on the verge of losing its prolonged struggle for coexistence with Communism. But, Revel argues, "it's the case that's pessimistic, not the person stating it."



Demosthenes among the Athenians: Journalist-Philosopher Revel in a Paris garden

A football game in which the West disqualified itself from going beyond the 50-yard line.

The inevitable defeat of Western democracy is the subject of Revel's newly translated work *How Democracies Perish* (Doubleday; $17.95), which sold 200,000 copies after it was first published in France last year and remained on the bestseller list for 24 weeks. Historian Emmanuel Le Roy Ladurie compared the significance of Revel's warnings about the Soviet Union to the alarms sounded by Demosthenes about the perils facing Athenian democracy. U.S. neoconservatives lauded publication of a condensation in the monthly *Commentary* last June; U.S. Ambassador to the United Nations Jeane Kirkpatrick quoted from the work in her speech to the Republican National Convention.

Such attention is nothing new for Revel, a literary editor and columnist for the newsmagazine *L'Express* and its editor in chief from 1978 to 1981. His 1970 book in praise of American freedom of dissent, *Without Marx or Jesus*, outraged nationalistic French intellectuals of both the left and right. In 1976 he created another furor with *The Totalitarian Temptation*, a blistering condemnation of French Socialist tolerance of "vintage Stalinism."

In essence, *How Democracies Perish* takes up where *Temptation* left off. Revel now charges Western democracy as a whole with failing to recognize the reality of Communist, particularly Soviet, expansion since 1917. According to Revel, Western "victories" in that struggle (the 1948 Berlin airlift, Korea) have never been more than temporary impediments to Communist aggression; totalitarian achievements (the Berlin Wall, hegemony in Eastern Europe) have been permanent. As Revel puts it, "The confrontation between the Soviet Union and the West [has] resembled a football game in which one of the teams, the West, disqualified itself from going beyond the 50-yard line."

Revel then asks a disturbing question: "Could Communism's expansionist strategy have succeeded so well unless the West was predisposed to succumb to it?" His answer: the success of Communism can be explained only because "the democracies themselves have adopted the Communists' image of the world and their perspective on history."

Revel blames the one-sidedness of the contest on the nature of democratic pluralism. "To totalitarianism, an opponent is by definition subversive," he writes, while democracy "treats subversives as mere opponents for fear of betraying its principles." The fundamental difference between the systems renders democracies inherently less capable than totalitarian regimes of defending themselves against internal enemies. That fact, he says, is ruthlessly exploited by the Soviets in their covert encouragement of global terrorism.

Externally, Revel argues, pluralism engenders a far more fatal tendency: "Democracy tends to ignore, even deny, threats to its existence because it loathes doing what is needed to counter them." In other words, democracy instinctively resorts to appeasement, usually justified as the encouragement of totalitarian "moderates" over "hard-liners." A French diplomat shortly after Munich, Revel notes, described Hitler as caught between Goebbels and Himmler [hard] and Göring [moderate]; Stalin wheedled concessions out of the Roosevelt Administration by warning that his liberal tendencies were under attack in the Politburo.

In much the same way, democracies view history with selective amnesia. "As things are now . . . only the West's failures, crimes and weaknesses deserve to be recorded by history," says Revel, while totalitarian reality "is what Soviet leaders are preparing to do *now*" in the way of promised reforms or concessions. Memories of capitalism's Great Depression endure, while the deaths of millions during forced Soviet collectivization in the same period do not. Viet Nam remains fresh in the mind; the Marxist bloodbaths of Lieut. Colonel Mengistu Haile Mariam in Ethiopia during the late 1970s do not.

Finally, Revel points to the rise within Western democracies of an "industry of blame," bent on fostering a one-sided notion of historical guilt. According to those who hold this view, everything that is bad, especially in the Third World, results from forces in the "rich"—meaning capitalist—democracies. Thus any Western attempt to resist Communist aggression, as in Angola or Viet Nam, arouses intellectual confusion and paralysis. Says Revel: "There was a time when you were an imperialist if you invaded an alien territory and imposed on independent peoples an authority they rejected. Today, you are an imperialist if you oppose such aggression."

Revel offers disappointingly few cures for democracy's failing condition. Instead, he quotes Demosthenes' advice to the Athenians: "Don't do what you are doing now." Revel then tersely suggests "*genuine* détente," which amounts to meeting the reality of the implacable contest with Communism. Such a posture would require, he admits, "almost total Western intellectual reconversion" and "unprecedented" coordination among the democracies. Small wonder, then, that he does not expect it to happen. ***—By George Russell***

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CHINA

Lower Profile for "Mother-in-Law"

New economic reforms bring reality to cities and factories

"Hello. Banana? Change money?" That sales pitch, unusually direct for China, was routinely delivered last week by jeans-clad youths outside Peking's Jianguo Hotel. The bananas, mostly imported from Ecuador, were the vendors' customary, and legal, merchandise. The offer to trade currency was neither normal nor legal—especially since the trade was 150 Chinese renminbi for 100 of the foreign-exchange certificates issued to non-Chinese that are officially valued at 1 to 1.

Yet Chinese authorities seemed willing to let the money-changers operate. It was a further signal of their determination to shift from a planned, predictable economy to an open one. That approach has had spectacular success in the countryside over the past two years. Last month delegates to the Third Plenum of the Twelfth Central Committee approved a 16,000-word resolution put forward by Leader Deng Xiaoping extending many of the reforms to the cities. As a result, the government-set prices that have allowed 200 million people to enjoy low rents ($3 to $5 monthly per family), inexpensive food, even cheap haircuts and public baths, at an annual cost of $55 billion, or about half the national budget, are being allowed to rise to more realistic levels. In addition, the government has inaugurated a new industrial-pricing system that should make Chinese factories more responsive to supply and demand. Although the proposals had the unmistakable air of capitalism about them, party ideologues took great pains to stress the differences between state ownership, which continues, and state management, which is supposed to improve under the new order.

Predictably, the announcement touched off a national wave of panic buying and hoarding. As soon as it became apparent that prices on 90% of the nation's output would be allowed to float, such products as fish, milk and woolens either became more costly or vanished in some parts of China. Eggs, which had been in plentiful supply, disappeared from state-run stores; they remained available, but expensive, on the free market.

Goods whose prices had not changed, like blankets, were suspiciously unavailable in state-operated stores; shoppers complained that they had been removed from shelves in anticipation of price increases. To hedge against shortages or inflation, many citizens withdrew their savings to purchase such nonperishables as bicycles and textiles. One Peking family bought a piano as an investment, though neither parents nor children could play it. A black market developed in railroad tickets, as speculators in Peking, Shanghai, Canton and other cities snapped up tickets and resold them at higher prices.

Although the government tolerates Peking's youthful money-changers, it cracked down on more flagrant speculators. The party newspaper *People's Daily* pointedly reported the fate of entrepreneurs in Xian who had managed a quick $7,600 profit by gouging buyers of woolen blankets; the merchants were punished with heavy fines. Storeowners in Peking who had hiked prices on 14-in. color TV sets to make an extra $100 profit were fined and reprimanded publicly. "This ill wind of arbitrary price rises must be resolutely checked," the paper insisted.

Street merchants in Peking: showing off a pair of blue jeans . . .

. . . and a U.S.-style sweatshirt, complete with misspelling

Toleration of money-changers but crackdowns on speculators.

Reforms on the factory floor are likely to be further reaching. Plant managers and local party secretaries have never had to worry about profits or costs. At least one facility in five has been operating in the red, with the government covering the costs of inefficiency and featherbedding.

Now accountability will begin at the local level. As a result, predicts *Economic Daily*, the government's voice on economic policy, 40% of factory bosses and 70% of party leaders in 3,000 enterprises might have to be replaced. It may not come to that, but as a demonstration of Deng's intent, some unexpected shifts have already been announced. Two weeks ago the Shanghai municipal government approved the start-up of 3M China, Ltd., a wholly owned subsidiary of U.S.-based Minnesota Mining & Manufacturing Co., which will produce electric tape and connectors without Chinese partnership for the first time since 1949.*

A more remarkable change occurred in the industrial city of Wuhan this month when West German Engineer Werner Gerich was appointed director of a diesel-engine factory. He was the first foreigner ever named to such a management job since the Communist victory in 1949. As a consultant to the Wuhan plant, the West German had so impressed officials with a detailed critique of the factory's shortcomings that they voted to make him the manager. Gerich has already begun to carry out his own suggestions, including a rule that forbids newspaper reading on the job. He is also seeking to reduce his work force from 2,000 to 1,500, even while doubling production. "I firmly believe that the days when those who contribute much and work hard have the same pay as those who contribute little or even do not work at all should be finished," Gerich told his staff.

That same ideal, despite its departure from ideology, has been stated more and more openly by officials in Peking since the reforms. They are also down-playing another Communist tenet, central control of factories. "In the past, we used to be a mother-in-law, and we relied on 'patriarchal dignity' to direct enterprises," says Deputy Premier Tian Jiyun. "Now we must get off our high horse and become just a simple 'attendant.' "

To stir city people into accepting the new system and to forestall conservative party bosses from crippling it, Peking is pushing the Sichuan city of Chongqing, one of the largest metropolises in China, as a kind of municipal role model. Buying from whatever domestic or international markets they choose, Chongqing's leaders in the past year have doubled business activity. If such reforms can succeed in Chongqing, the government seems to be saying, they can work anywhere in China. —***By Spencer Davidson. Reported by David Aikman and Jaime A. FlorCruz/Peking***

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*Peking has also consented to let a Dallas-based firm called Leisure & Recreation Concepts, Inc., build a $1 million amusement park near the coastal town of Shantou to be named Dragon Lake, complete with Ferris wheels, swan boats and an electronic arcade.

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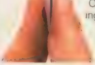

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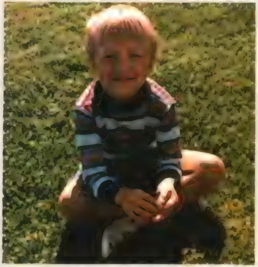

With conventional cameras, without "fill-flash", backlighting can turn people into silhouettes.

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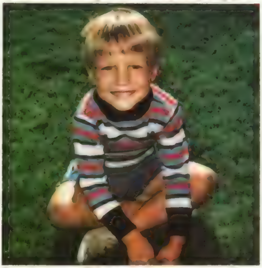

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World Notes

THE KOREAS

Bloodshed at a Peace Site

Burgoyne

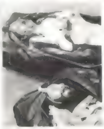
The 158-acre area around the Korean truce village of Panmunjom has been a haven from gunfire, if not from violence, since the 1953 Korean armistice. But that record was shattered last week by a shootout over a Soviet defector in the Joint Security Area. An American G.I., Michael Burgoyne, 20, of Portland, Mich., was wounded in the melee. A South Korean soldier and as many as three North Koreans were killed.

The incident was sparked by Vasiliy Matuzok, 22, a Soviet tour guide on a group visit to the security area, who reportedly bolted toward a 35-member United Nations security unit. Between 20 and 30 North Korean soldiers crossed into U.N. territory while firing at the escapee, and the U.N. troops shot back. The defector was later reported to be in the care of U.S. military authorities in Seoul, 25 miles away. The incident cast a minor chill on a recent burgeoning of good will between the two Koreas. Only days earlier, the famous bargaining table at Panmunjom had been the scene of warm grins and vigorous handshakes between North and South Koreans, as the two sides agreed to end an eleven-year freeze on talks aimed at reuniting divided Korean families.

EL SALVADOR

Hair Dye and a Shave

Nearly four years ago, two gunmen walked into the dining room of the Sheraton Hotel in San Salvador and killed two American labor advisers as well as a key figure in El Salvador's land-reform program. No one has yet been convicted of the murders, but the two alleged gunmen are in custody awaiting trial. Last week, however, the Salvadoran Supreme Court dimmed hopes that at least one other man implicated in the crime will be tried. It threw out the case against Lieut. Rodolfo Isidro López Sibrián, a Salvadoran army officer who was seen at the hotel that evening and allegedly ordered the two guardsmen to carry out the killings. The court's ruling was based in part on a witness's failure to identify López Sibrián in a police lineup after López Sibrián had been allowed to dye his red hair black and shave his mustache.


Slain labor advisers

The U.S. State Department reacted angrily. The U.S., it said, "can find no reasonable basis" for the court's decision. "We do not consider the matter closed." Meanwhile, the violence goes on: the mutilated body of the Rev. Ernesto Fernández Espino, 37, a leader of El Salvador's Lutheran Church, was found last week in a village near San Miguel.

BRITAIN

Another Warning for UNESCO

When the U.S. announced its intention late last year to withdraw from the United Nations Educational, Scientific and Cultural Organization at the end of 1984, many foreign diplomats dismissed the move as Reagan Administration isolationism. Now it looks as if the U.S. will not be alone after all. Britain gave notice last week that it will leave the Paris-based organization at the end of 1985 if certain management and budgetary reforms are not undertaken. The decision came after a Cabinet argument in which Prime Minister Margaret Thatcher and her Foreign Secretary, Sir Geoffrey Howe, insisted that Britain take a firmer stand against UNESCO's financial mismanagement and anti-Western bias. Its director-general, Senegal's Amadou Mahtar M'Bow, has annoyed the U.S. and Britain by, among other things, promoting a plan under which UNESCO would set standards for international news reporting. Western news organizations believe that the scheme would lead to increased state control of the press.

The Thatcher government denies that the announcement is the result of U.S. pressure. The Prime Minister, said a senior British official, "has been fuming about this for months and didn't need any prodding by anyone." If both the U.S. and Britain pull out, UNESCO will lose nearly 30% of its annual operating budget.

CANADA

A Separatist Split-Up

Sovereignty for Quebec was the rallying cry that helped carry Premier René Lévesque and his *Parti Québécois* to power eight years ago. When Lévesque declared last week that the goal of independence had to give way to bread-and-butter issues, he split his party and possibly jeopardized his eight-seat majority in Quebec's provincial parliament. Five cabinet ministers resigned, two legislators bolted, and half a dozen others threatened to quit the party. The defectors included Finance Minister Jacques Parizeau and Social Affairs Minister Camille Laurin, an author of the law that imposed French as Quebec's only official language.

René Lévesque

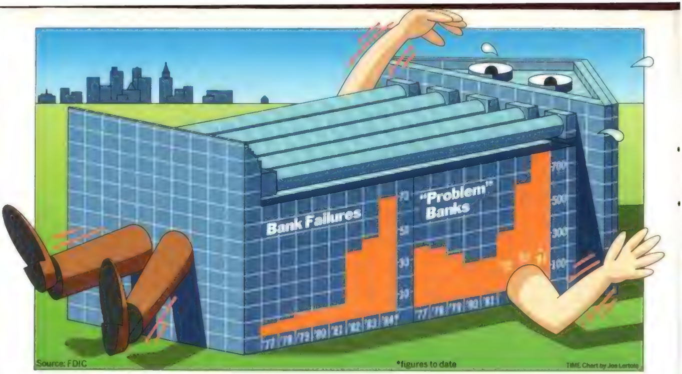
Lévesque felt he was adapting to reality: voters rejected separatism in a 1980 referendum, and polls show that only a small minority favor it now. Faced with sagging popularity, 12.9% unemployment and one of the highest tax rates in Canada, he wanted to prepare for the provincial elections that must be held by spring 1986 by focusing on economics and getting along with the popular new federal government of Prime Minister Brian Mulroney. But at a convention in June, the *Parti Québécois* had voted to make independence its main campaign issue. Abandoning that cherished goal, Parizeau said last week, would be "sterile and humiliating."

SEQUELS

Backing Down on Flight 007

Ever since a Soviet fighter plane shot down Korean Air Lines Flight 007 in September 1983, there have been numerous theories about the events that led to the attack. One explanation appeared last June in the British magazine *Defence Attaché*. According to the anonymous author, the U.S. accidentally triggered the tragedy by using the airliner to gather intelligence about Soviet air defenses. The plane, the writer contended, intentionally flew over Soviet territory in order to test the country's reflexes as the space shuttle *Challenger* and a U.S. Ferret-D electronic data-gathering satellite observed from above.

The article provoked a good deal of anger, particularly from KAL, which sued the magazine. The two sides reached a settlement in a British court last week under which *Defence Attaché* will print an apology and pay "substantial damages" to KAL. Further details of the settlement, including the amount to be paid to the airline, were not disclosed, but the South Korean government could not hide its pleasure. Calling the article "outrageously distorted," an official declared, "We hope the court settlement will put an end to the seemingly endless speculations about unauthorized missions of Flight 007."



Source: FDIC

*figures to date

TIME Chart by Joe Lertola

Economy & Business

COVER STORY

Banking Takes a Beating

The money industry comes under attack from customers, rivals and regulators

American bankers for decades operated by the 3-6-3 rule: pay depositors 3% interest, lend money at 6% and tee off at the golf course by 3 p.m. They could afford to be that precise because federal and state laws set the strict rules by which they operated and protected them from competitors. As a result, the power and prestige of bankers remained as secure as their vaults, while profits were steady and certain.

Suddenly, all that is gone. Bankers now face their most strenuous survival test since the Great Depression. Everywhere they turn, bankers are becoming mired in swamps of controversy and competition. Consumers, who in the past accorded bankers blind trust, are rebelling against skyrocketing fees, poor service and impersonal treatment. Such marketing powerhouses as Sears, Roebuck and Merrill Lynch are now financial bazaars that have attracted thousands of bank customers with lucrative new services. As they became free of much federal regulation, banks began engaging in suicidal price wars. Because of poor management, overzealous lending and some bad luck, commercial bank profits have been battered.

The clearest example of the industry's chaos is the growing string of financial failures. Warns Economics Professor Lester Thurow of the Massachusetts Institute of Technology: "A threat to the soundness of our private banking system is an economic nightmare." So far this year, 71 banks have collapsed, compared with 48 in all of 1983 and only ten in 1981. The latest failure was the First American Banking Co. (assets: $22.7 million) of Pendleton, Ore., whose office reopened last week as a branch of a competitor from a neighboring town. Government regulators have put more than 800 of the 15,000 U.S. banks on their "problem list." Officials keep the names on the list a secret to avoid alarming depositors and aggravating the situation. In the most dramatic bank rescue to date, the Federal Government last summer pumped $4.5 billion into Chicago's Continental Illinois to save it from failure.

American consumers are increasingly concerned about the safety of their money in the bank. In a poll taken in July for *American Banker* newspaper, 36% of the people surveyed said their confidence in banks had fallen. According to Gallup polls, the percentage of Americans who profess a high degree of faith in bankers dropped from 60% in 1979 to 51% last year.

No doubt many consumers have been worried by a seemingly endless string of bad-news headlines about their banks. Says Val Adams, a marketing executive in Chicago: "The failures are just more proof that they don't know what they're doing, and that's kind of scary. I don't mean I'm going to take my money out and put it under my mattress, but I am concerned." Last week BankAmerica and First Chicago, two of the nation's largest institutions, said they were considering selling their landmark headquarters buildings. Reason: both banks must raise money to fulfill an order by federal regulators to build up their reserves against bad loans. Says First Chicago Chairman Barry Sullivan: "We're in a long-term competitive game. We've had some pretty good innings, and this is a bad inning."

U.S. bankers could once ignore consumers who lost confidence in their institutions as a disgruntled minority; today top executives fret openly about the problem. "There is nothing more important to

LEE BALTERMAN

"We're in a long-term competitive game. We've had some pretty good innings, and this is a bad inning."

—Barry Sullivan, chairman of First Chicago

us than to restore the public's faith," says Samuel Armacost, president of San Francisco's BankAmerica (assets: $121 billion). John McGillicuddy, chairman of New York's Manufacturers Hanover ($73 billion), concurs: "I think the confidence factor is the most serious issue we face. We haven't lost it completely, but it has eroded seriously."

Many banking experts contend that the present woes are temporary. Says Jack Whittle, chairman of the financial consulting firm Whittle & Hanks: "Banking is going into the free-enterprise system out of a protected environment, and that is bound to shake up a whole lot of things." The optimists believe that the financial industry will fight its way out of today's morass and become stronger than ever.

Indeed, the outlines of a new, potentially stronger one are already emerging. Many timid, superprudent banks have been pushed to innovation and aggressive marketing. Says John Medlin, president of North Carolina's Wachovia Bank ($8 billion): "You find more risk taking, more motivation and more financial entrepreneurship." Notes Leonard Weil, president of California's Mitsui Manufacturers Bank: ($1.7 billion): "Despite all the dark suits worn by its leaders, banking is a very dynamic industry." Bankers have rolled out dozens of new services ranging from discount-catalog shopping to home-equity accounts that allow consumers to write checks based on the value of their house or condominium.

In this atmosphere of frenetic competition, however, many banks are making serious mistakes. Says Charles Zwick, chairman of Miami's Southeast Banking Corp. ($9.2 billion): "Bankers are forced to take on new risks, and many of them are guessing wrong." The business has become a high-wire act for managers, leaving them little room for error. A study by the Arthur Andersen accounting firm estimates that the number of banks in the U.S. will drop from the present 15,000 to 9,600 by the end of the decade.

So far the turmoil has posed no significant risks for small depositors. When a bank collapses, the Federal Deposit Insurance Corporation reimburses them for up to $100,000 on their lost accounts. As it happens, about 500 U.S. banking institutions carry no federal insurance, and many of their depositors could suffer in case of failure. Nonetheless, says John S. Reed, chairman of New York's Citicorp ($145 billion), the largest U.S. banking company: "To the extent that we've had difficulties, the consumer has been very well protected." When Continental Illinois got into trouble, the Federal Government even guaranteed deposits of more than $100,000. Despite those pledges, nervous crowds often line up at teller windows and begin withdrawing their money when rumors start that a financial institution is in trouble.

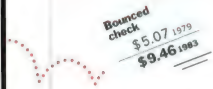
Periods of turmoil are familiar in the history of banking. The big three banks of 14th century Florence, the Bardi, Peruzzi and Acciaiuoli, wielded great power until they failed after Edward III of England and King Robert of Naples defaulted on their debts. The fall of Austria's Creditanstalt in 1931 led to financial panic around the world and made the Great Depression worse. America's founding fathers put little faith in the stability of banks. Wrote Thomas Jefferson in 1816: "I sincerely believe that banking establishments are more dangerous than standing armies." Andrew Jackson, who never concealed his distrust of powerful moneymen, told a group of them, "You are a den of vipers and thieves. I intend to rout you out."

Throughout most of American history, bank failures occurred with dismal regularity, and consumers had no protection from them. Even in the booming 1920s, banks closed at the rate of about 500 a year. The failure rate rose sharply during the four years following the 1929 stock-market crash, when a total of 9,000 banks closed. With the entire financial system in shambles, President Franklin Roosevelt in March 1933 closed all the

"I think the industry is perfectly capable of meeting the needs of society. We're part of society, and we're decent people."

—John Reed, chairman of Citicorp

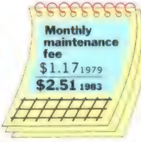
Average bank service charges surveyed by Sheshunoff & Co., Inc.



nation's banks for four days to quell the panic. Institutions declared sound by federal and state officials were reopened, and Congress began writing new banking laws. The resulting Glass-Steagall Act established the Federal Deposit Insurance Corporation to guarantee the safety of savers' money and banned banks from conducting the lucrative but risky business of underwriting securities.

Bankers at the time vociferously objected to federal regulation, but over the years they grew to enjoy the cozy protection it afforded. The business, wrote Martin Mayer in *The Money Bazaars*, became "a stuffy and oversocialized world, where lending officers got their jobs through family connections."

In 1963 Texas Democrat Wright Patman, then chairman of the House Banking Committee, antagonized financiers when he said, "I think we should have more bank failures. The record of the last several years of almost no failures is to me a danger signal that we have gone too far in the direction of bank safety." Big-city bankers bitterly opposed Patman's novel ideas for allowing more competition.



The financial world, though, soon began shifting underneath the bankers. Money-market mutual-fund accounts, for example, which were invented in 1971 by Wall Street Mavericks Bruce Bent and Henry Brown, offered interest rates of 8% or more at a time when passbook savings accounts at banks paid only 4½%. In 1977 Merrill Lynch jolted bankers with its Cash Management Account, which combined stock brokerage with savings and checking accounts.

Consumers were initially reluctant to take their money out of traditional savings accounts, but bankers were offering such low rates that depositors soon came to realize they were missing out on substantial income. Before long, people began transferring cash from savings and checking accounts to money-market funds. Total deposits in those accounts jumped to $231 billion in 1982, when banks began winning some of it back by offering similar services. Says C. Todd Conover, the Comptroller of the Currency, a top federal banking regulator: "The public wants financial services, but it couldn't care less whether it gets them from banks."

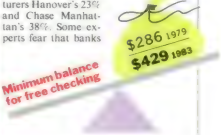
Over the past five years financial powerhouses, including Prudential-Bache and Shearson Lehman/American Express, have become banks in everything but name. Said Walter Wriston, former Citicorp chairman: "The bank of the future already exists, and it's called Merrill Lynch." Three weeks ago, Equitable Life, the nation's third-largest insurer, joined the parade by paying about $432 million to buy the Wall Street brokerage firm Donaldson, Lufkin & Jenrette. Even industrial companies (General Electric, National Steel) and chain stores (K mart, Kroger) have plunged into consumer finance by buying banks or insurance companies. Thrift institutions too have moved in on commercial banks' territory. Deregulation has enabled savings and loans to offer such services as checking accounts and commercial real estate loans, which in the past had been solely the province of banks.

Many major bankers fear that by the end of the decade their toughest competitor will be Sears. The company has opened financial-service centers, where consumers can buy everything from fire insurance to stock options, in 300 of its 805 stores. Last month Sears announced plans to buy Greenwood Trust bank in Delaware, which will become the nucleus of its financial network. The Chicago-based retailer is also considering its own universal credit card. It could be used in non-Sears stores and would be competition for MasterCard and VISA, which are issued by banks.

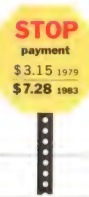
Congress has given bankers some means to fight back. The Depository Institutions Deregulatory and Monetary Control Act, passed in 1980, has gradually abolished the limits on interest that bankers can offer savers. Before that law, they were restricted to paying a maximum rate of 5¼%. Banks are trying to win back depositors with accounts like Super NOW checking, which currently pays about 7%. The money in those accounts has grown from zero in 1982 to $46 billion.

Freedom has not been without its price. Since the new accounts offer attractive rates, consumers understandably have been moving money out of low-interest passbook accounts into higher-paying ones. Moreover, bankers have used their new freedom to offer whatever rates they want on most deposits, while engaging in often ruthless competitive battles for customers. When money-market accounts were launched in 1982, bankers in Atlanta staged a marketing war that briefly pushed annual rates as high as 21%. New York City's major banks engaged in a skirmish last summer that sent interest rates on certificates of deposit almost two percentage points over the national average of 11½%.

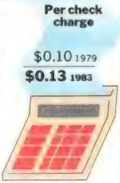
Those higher rates, as well as losses from bad loans, have put a big dent in bank profits. In this year's third quarter, compared with 1983, Citicorp's earnings fell 14%, Manufacturers Hanover's 23% and Chase Manhattan's 38%. Some experts fear that banks will be drawn into the same kind of pricing rivalries that led to bankruptcies in the deregulated airline industry. Says Albert Wojnilower, chief economist for the First Boston investment firm: "Banks can't be counted on to discipline themselves. Deregulation gave the banks enough rope to kill themselves, and they almost have."


$286 1979
$429 1983
Minimum balance for free checking

As a result of the fierce competition and lower earnings, the once benevolent face of consumer banking has changed. In the past, banks used some of their profits to subsidize services that were either given away or priced below cost. Claiming that they can no longer afford such largesse, bankers are pushing up the fees they charge for overdrawn accounts or stop-payment orders on checks. Complains Daryl Erdman, a supermarket owner in Rochester, Minn.: "I can't think of anything my bank doesn't charge for, including rolling coins and handling food stamps." A survey by Sheshunoff & Co., a consulting firm, showed that 39% of U.S. banks boosted checking-account fees in 1983, and 55% were planning to raise them this year. Explains Robert Guyton, president of Atlanta's Bank South ($1.8 billion): "We've got to make sure that all the services we offer are paid for by the customers who are using them." Many banks, however, are charging more for some services than they actually cost. A study by New York State officials concluded that a bounced check costs the bank only about $6. Yet the 1,635 banks in the Sheshunoff survey charge customers an average of $9.46 for a returned check; some institutions ask $20 or more, and a few demand $30.



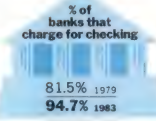
Consultant Whittle believes that banks should be allowed to set their own fees;



he also admits that the financial institutions face a bad public-image problem. Says he: "If you maintain a balance under $100, banks should charge you $10 a month. But if they do that, they'll be run out of town on a rail." Indeed, the new fees have infuriated politicians and consumer advocates. They maintain that the charges usually hit individuals with $1,000 or less in their accounts, while wealthy depositors pay almost no fees and receive lavish services. Contends Stephen Brobeck, executive director of the Consumer Federation of America: "We are witnessing an increasing denial of banking services to the poor. The trend is toward serving the rich and ignoring the rest."

Legislators in several states are considering laws that would require banks to provide a minimum level of service, much like utilities. One recent study showed that 58% of consumers believed the Government should require banks to provide low-cost services for the poor. Bankers, however, view that as the next thing to socialism. "I think the industry is perfectly capable of meeting the needs of society," says Citicorp's Reed. "We're part of society, and we're decent people. I don't honestly believe it's necessary for the legislature to impose itself in this process." Some banks already offer so-called lifeline accounts with limited services but lower fees. Manufacturers Hanover, for example, provides free savings accounts for customers under 18 and waives fees on checking for retired persons.

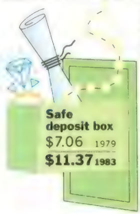
Rising fees are only one item on the consumer grievance list. Another complaint is banking's continued use of the float on checks. While this is an old banking practice, it seems particularly irritating at a time when modern communications make it possible for banks to transfer funds around the world in a matter of seconds. Money deposited as checks can often be used by the customers only after holding periods that may range from two days to three weeks. During that hiatus, the bank has, in effect, impounded the money since it receives credit for the check and earns interest on the funds. This angers bank customers and can impose hardships. Says Walter Dartland, a Dade County, Fla., consumer advocate: "Students who get a check from their folks back in Iowa, for example, might have to wait two to three weeks before they can use the money. That puts them in a real bind."



TIME Charts by Renee Klein

Banks argue that the holding period is a safety precaution; they must wait to be sure the check will not be returned. Bankers resist changing their policy for another reason: it is a big profit maker. If the float, for example, gave banks the use of $60 billion per day, at 10% interest it would earn them $6 billion a year. Because of consumer protests, New York's state legislature last year passed a law forcing banks to credit depositors' accounts within one to six business days, depending on the size and origin of the check. Checks larger than $2,500, though, are exempted from that requirement.

As a result of these and other complaints, many consumers have come to regard bankers as greedy and impersonal. "I was treated rudely by several banks just in the course of having a checking account," says David Ohle of Lawrence, Kans., a writer and former English professor. "I never felt as though I was treated like a human being." Says Robert Wool, co-author of *All You Need to Know About Banks:* "The large banks are continually presenting themselves as human and warm and understanding. But the truth is that with very few exceptions, if you walk in and look for the same happy faces you saw in the TV ads, they usually aren't there."



When consumers say bankers are cold, they often focus their annoyance on the automatic-teller machine. Ironically, bankers installed the 24-hour ATMs partly for the benefit of customers, who have long complained about the inconvenience of bankers' hours. Banks, of course, also put in ATMs because they hope to save money on them once the technology is perfected. The number of ATMs in the U.S. has grown from 1,935 a decade ago to 48,118 at the end of last year.

Developing and safeguarding the machines has been no easy job. ATMs have been bombed by thieves, defaced by vandals and, in one incident in New York City, filled with glue. "You can't establish a relationship with a machine," says Joanne Slaight, general counsel of the New York Public Interest Research Group. "An ATM can't be a pillar of the community." New York's Citicorp made a public relations gaffe last year when it tried to force customers with less than $5,000 in their accounts to use an ATM rather than a human teller. The bank scrapped the plan after a storm of very human protests.

Some bankers have attempted to give ATMs a little of the traditional banking qualities that experts call the "warm and friendlies." One bank in New Jersey put a Santa Claus costume on its ATM during the Christmas season and a heart on it for Valentine's Day. In response, customers have put get-well cards in its deposit slot when the machine breaks down. Customers have improved the image of ATMs by using them as a place to meet new friends. Singles equipped with plastic cards and flashing smiles sometimes pick up dates as well as cash while in line at their neighborhood ATM.

Turning a warmer shoulder to consumers might help banks and their image. But they face a much more difficult problem: what to do about bad loans. The troubles go back to the early 1970s when the banks, flush with deposits from oil-producing countries and bent on growth, began to take on high-risk borrowers and tended, as Federal Reserve Chairman Paul Volcker put it, "to push money out the door as fast as possible." Some of the biggest of the bad loans were extended to Latin American countries *(see box),* but many were made at home.

In such states as Iowa and Kansas, bankers are currently worried about agricultural loans. Farmers are hurting because of falling crop prices and land values. In September the seemingly robust First Chicago ($40.5 billion) stunned investors by projecting a nearly $72 million third-quarter loss, blaming it partly on defaulted farm loans. "We're supposed to be having an economic recovery," says Reed Hoffman, president of Dickinson County Bank ($7.5 million) in Enterprise, Kans. "But it hasn't hit this part of the country. If things continue the way they are, we'll see more farm bankruptcies, more nonperforming loans and more bank closings."

The farm troubles often turn bankers into unwilling villains, a role they play in a recent crop of mortgage-melodrama movies, including *Country* and *Places in the Heart.* One case of real-life tragedy occurred in September 1983 in southwestern Minnesota, where a farmer and his 18-year-old son decided to get even with a small-town bank that had foreclosed on their land. The father and son lured two bankers to the farm and then shot them to death. One farmer in Nebraska was killed last month in a shootout with police who were serving him papers for a bank trying to collect on a loan.

Bankers got many of their current problems the old-fashioned way—they earned them. Says William Isaac, chairman of the FDIC: "The common thread in

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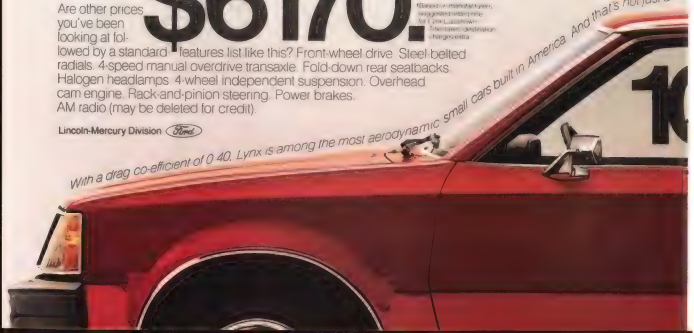

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the industry's troubles is bad management. You can get away with a fair amount of poor management when the economy's in good shape, but if the economy turns sour, as it did in 1981-82, your mistakes are magnified." This does not mean that all bankers have turned into casino gamblers. "I don't think that bankers as a whole have become reckless," says Carlos Arboleya, vice chairman of Barnett Bank of South Florida. "But there will always be a certain percentage of wildcats."

A 24-hour automatic teller: "You can't establish a relationship with a machine"

ROBIN MOYER

In a business built largely on trust, a little wildness can be highly contagious. Consider the case of William G. Patterson, the highflying, unorthodox executive vice president of Oklahoma City's Penn Square Bank. While negotiating million-dollar deals in restaurants during the early 1980s, he would sometimes regale out-of-town clients with such stunts as drinking beer out of his cowboy boot or stuffing a roast quail into his pocket. In his office at Penn Square, he would sport Mickey Mouse ears or a hollowed-out duck decoy on his head. Patterson's lending ideas were just as madcap: his department invested 80% of the bank's lending portfolio in risky oil and gas ventures. Yet neither Patterson's antics nor his business bravura aroused much concern among officials of major banks, who bought $2 billion of Penn Square's loans. For large banks that want their business to grow in a hurry, buying loans helps them add new customers with minimal effort.

When Penn Square collapsed in July 1982, it blew the cover on the dubious management of more established banks. Penn Square's failure led directly to Continental Illinois' near disaster two years later; it also cost Chase Manhattan, the third largest U.S. bank, more than $200 million.

Cash with a Lot of Class

Not all bank customers are grousing about high fees, impersonal service or long teller lines. Wealthy depositors seldom experience any of those indignities. For them, banking has become more convenient and financially rewarding than ever before. At the Manufacturers Hanover headquarters at 270 Park Avenue in New York City, customers with a net worth of more than $1 million carry out their transactions in an inner sanctum with dark paneled walls and deep-green carpeting. At least two officers familiar with the individual's finances are on hand so that the customer can borrow $500,000 for, say, a vacation home with little more difficulty than a regular depositor might have in cashing a check. When clients want to talk about long-range investment plans, officers meet them over lunch served by tuxedoed waiters in one of the bank's private dining rooms.

Never have well-to-do customers been so pampered by their banks. The reason is purely profit. Financial institutions make almost all of their money on the richest 20% of their depositors because these depositors engage in the highest-value transactions. Therefore, bankers have added a number of customized services and tastefully appointed offices with the hope of attracting more of these high rollers.

U.S. Trust customers need not worry about long teller lines

TED THAI

Marketing experts divide preferred customers into several layers. Upscale depositors with accounts of $25,000 or more receive far better banking services than the majority of retail customers. New York's Citibank provides them with money-management accounts, faster waiting lines and more personal attention. The best treatment, however, is reserved for the truly wealthy, the top 1% of customers who receive so-called private banking. At this level, officers will provide almost any financial service imaginable, from stock brokerage to letters of introduction for a foreign business deal. The moneyed customers of Manhattan's U.S. Trust, which caters to a select 5,000 depositors, have been treated to private lectures on such subjects as Persian carpets and fine wine.

Banks are discreet in dealing with their superwealthy clientele, or "high-net-worth individuals," as Manufacturers Hanover euphemistically calls them. At Bank of America's Beverly Hills office, the private-banking lounge is tucked behind a door marked only by the number 403. A security guard shoos away the curious. Inside, the office is decorated with a Persian carpet, wing chairs and violet orchids. Says Richard Saalfeld, head of private banking: "We try for an interior look that's a blend between a private residence and a law office."

Many special favors go far beyond the usual borders of banking. Customers at Houston's Medical Center Bank with at least $100,000 in their accounts are welcome to borrow the company airplane, a six-passenger Navajo Chieftain. They are asked only to fill the gas tank. At a customer's request, the bank will dispatch its limousine or arrange for theater tickets. The bank, which is situated at the Texas Medical Center, decided in 1978 to devote itself entirely to doctors and other wealthy customers. Says Chairman Donald Neuenschwander: "You can't be all things to all people. But I can be all things to the people I select." The bank deliberately discourages lower-income consumers by charging unusually high fees. Example: $30 for a bounced check.

Spurning the middle class, however, could be a dangerous long-term strategy. Marilyn Barnewall, a Colorado consultant who helped develop the concept of private banking, advises clients to maintain good relations with their mass-market depositors. After all, today's struggling young professional intends to be tomorrow's high-net-worth individual.

WIDE WORLD

In July 1933, customers crowded into Cleveland's Union Trust Bank to withdraw their money

Most of Continental Illinois' troubles have been blamed on Roger Anderson, its ambitious chairman from 1973 until last April. Under Anderson, Continental was more interested in increasing its market share than in checking on the worthiness of borrowers. Result: a portfolio that included $2.3 billion in bad loans. At some other ailing banks, problems can be traced further down the organizational ladder. Inexperienced traders at Chase Manhattan lost some $285 million in 1982 by lending U.S. Treasury bonds, notes and bills to Drysdale Government Securities, a renegade Wall Street firm that had parlayed $5 million in capital into as much as $4 billion in holdings before it failed. The tiny company had bought securities in expectation that interest rates would go higher. When they did not, Drysdale lost its gamble.

The fundamental reason that many banks face problems is that they were simply unprepared for the rapid growth and change they faced after deregulation. Says Southeast Banking's Zwick: "There are not enough good bankers to accommodate the proliferation of the industry. We've allocated the limited number of qualified people we have." Some banks are now reaching out to consulting firms for expertise and training. Lawrence Darby, a former bank president, this year started a firm called Bankers Training & Consulting in St. Louis. One of its most successful educational tools is a video called *The Worst Loan I Ever Made*. Actors in the video portray bankers who deliver admonitions like "If the crooks don't get you, your friends will." The film, which costs $375, has so far been shown to more than 6,000 bankers. Says Darby: "There are more changes going on in banking than in Silicon Valley. There is a tremendous amount of confusion out there."

The financial revolution is now giving birth to a new breed of banker, perhaps best symbolized by Citicorp's Reed, 45. The boyish-looking chairman, who was appointed last June as Wriston's successor, is a consumer-banking specialist with an affinity for long-shot risks. Reed's hits and misses during his career have both been spectacular. In 1980 and 1981 he showered the country with 26 million letters inviting consumers to apply for Visa cards. Many of them fell into the wallets of poor credit risks, and Citicorp rang up some $75 million in bad debts. Nonetheless, Reed's bold push into consumer banking, which included blanketing New York City with ATMs, was ultimately successful. The bank's consumer division went from a loss of $79 million in 1980 to a profit of $202 million last year.

The new bankers often do not fit the button-down mold traditionally associated with high finance. Says Donald Waite, a director of the management consulting firm of McKinsey & Co.: "Bankers are no longer bankers. They are a whole lot of different things, and above all they are managers who can handle a group of disparate enterprises." At Citicorp, for example, Jesse Fink, 27, who studied forestry before receiving his M.B.A., heads the company's direct-mail program. Says he: "This organization is not very age conscious. You can get a lot of responsibility quickly." Says Vice President Jennie Schreder, 31, who used to conduct biophysics research and now manages the development of new products for Citicorp: "It's up to each person to make things work, so you have to be an entrepreneur."

Probably the trickiest aspect of managing a bank today is attracting a stable base of deposits. Loans are generally still made for long terms, but deposits have become increasingly short term and volatile. Many large banks, particularly those with ambitious lending policies, have grown dangerously dependent on the so-called hot-money deposits of pension funds, foreign corporations and other institutions.

The problem is that hot money knows no loyalty. At the first hint of trouble, rumored or real, these depositors tend to yank their funds. Says William Ogden, who was installed by Government regulators in July as chairman of Continental Illinois: "A modern run on a bank doesn't show up in lines at the teller windows, but in an increasing erosion of its capacity to purchase large blocks of funds in money markets." To ward off such electronic panics, many banks have tried to widen their deposit base to include a larger number of savers and to court better relations with big depositors.

As bankers try to diversify into new financial services, in order to compete with Sears, Merrill Lynch and the other money bazaars, they are pushing boldly into once forbidden fields, including insurance, stock brokerage and interstate banking. Congress has been slow in passing legislation that would control entry into these areas, so financiers have gone ahead on

In the movie *Places in the Heart*, a banker advises a widow to sell her farm to pay off a mortgage

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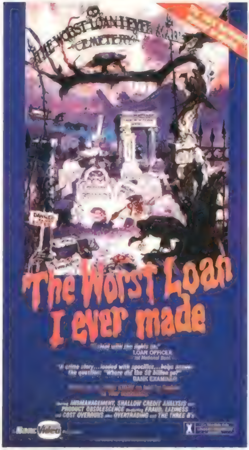
their own. Says C. Robert Brenton, former president of the American Bankers Association: "The Government has no vision for the evolution of the financial-services system in this country. We are quickly putting together a jerry-built financial structure, which includes flaws that work against the best interest of the public." Citicorp, for instance, plans to offer insurance by mail from offices located in South Dakota, the only state that allows banks to enter that field. BankAmerica and others also sell stocks through discount brokers, which is legal as long as they offer no investment advice directly in connection with the trade. The FDIC last week set rules so that 9,300 state-chartered banks can buy and sell corporate securities for their customers.

Despite the 1927 Pepper-McFadden Act and many similar state laws that forbid banks to set up branch offices outside their home state, major institutions have exploited technicalities to spread like kudzu across the landscape. Citicorp now operates 980 offices in 41 states. Comptroller of the Currency Conover gave the movement a boost this month by approving permits for 83 so-called nonbank banks. These are institutions that can take deposits and provide all other financial services except making commercial loans. Banks have also tried to boost their share of the mortgage market by acquiring thrift institutions, the traditional source of home loans. Last January Citicorp, for example, bought Chicago's troubled First Federal Savings & Loan ($4 billion) and Miami's New Biscayne Federal Savings ($1.9 billion).

The trend toward national banks worries people both inside and outside the industry. Says Rhode Island Democrat Fernand St Germain, chairman of the House Banking Committee: "Deregulation poses the greatest threat to the continued existence of a network of small and medium-size community banks. The claims [by the large banks] that deregulation is as good as ice cream and apple pie are beginning to wear thin." Donald Nutt, president of Baldwin State Bank ($25 million) in Baldwin City, Kans., frets about depersonalization. Says Nutt: "It's easy for the big banks to lose the human touch. If I'm here at 5 p.m. and a customer taps on my office window, he knows I'll let him in, even though we close at 3."

Many small businesses fear that branches of big chains will take local savings deposits but not lend them back to firms in the community. "In rural Minnesota, many banks lend money on a handshake," says Daryl Erdman, the Minnesota supermarket owner. "Even if a guy's financial statement is a mess, the banker knows he's good for it. What happens if Chase Manhattan puts a brand-new East Coast M.B.A. in here?"

Many regional banks like M & T of Buffalo hope to kindle customer loyalty by offering some of the personal touches that most big-city institutions have left behind. In the summer and fall, M & T stages daily concerts and fashion shows in a downtown plaza across from its main office. One M & T teller at a drive-up window hands out dog biscuits to customers with pets in their cars. The bank tries to make elderly customers feel at home by serving coffee and doughnuts and providing low-cost checking accounts with reassuring names like Worry Free and Pay as You Go.



A new videotape teaches loan officers how to spot bad risks

The final responsibility for insuring the stability of the American banking system rests with federal regulators. As the industry's troubles have increased, regulators have begun cracking down harder. They are beginning to expect the unexpected. Says James Boland, deputy comptroller of the currency: "It's always the dog you don't see that bites you. We're not out of trouble yet because banks always tend to lag behind the economy." The comptroller's office is now examining the books of large banks two or three times a year, instead of just once. As a further incentive for prudence, the FDIC's Isaac has proposed that the premiums banks pay to the agency for deposit insurance should increase according to the proportion of their loans that are risky.

Nonetheless, some experts question the ability of regulators to keep up with the field they are supposed to be watching. Concedes a former FDIC official: "Getting good people and keeping them is very hard to do. They really are not compensated very well for their talents." The problem is made tougher because responsibility for overseeing the country's banks is shared by six federal and 50 state agencies.

The recent string of bank failures has raised worries about whether the $17 billion in the FDIC's insurance fund is enough to protect the banking system and depositors. Officials contend that the regulators have enough money to get the job done. Says FDIC Chairman Isaac: "We have the capacity, along with the Federal Reserve, to deal with any scenario you can imagine." Some bankers have already made strategic changes that may help keep them profitable in an increasingly competitive marketplace. Says Manufacturers' McGillicuddy: "When people say the banking industry hasn't responded, it just doesn't square with the facts." Several banks have cautiously narrowed their focus. Manhattan's Bankers Trust ($40 billion), for example, has become one of the most profitable large U.S. banks by dramatically curtailing its consumer business in order to devote itself to merchant banking, a step that involved shedding more than 100 of its branches. Ben Love, chairman of Houston's Texas Commerce Bancshares ($20 billion), saved his bank from the Southwest's energy-lending disaster by holding firmly to a highly cautious lending policy: all major loans require unanimous approval from a committee of 14 senior bank officials. BankAmerica, whose profits have been pummeled in the past three years, formed a Retail Action Team, dubbed RAT, to cut back the company's overgrown branch system. The bank plans to close at least 121 of its 1,071 branch offices this year, despite angry complaints from customers.

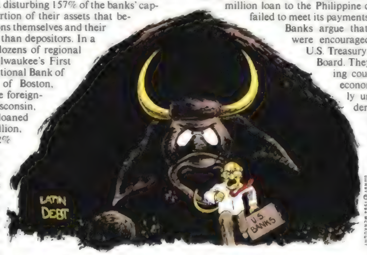
A bank's most important asset is not the cash in its vaults, but its customers' confidence. In the past few hectic months, some bankers have made heavy withdrawals from their confidence accounts. Financial leaders must now show that they can use their freedom from regulation to rebuild a strong and stable banking system. —*By Stephen Koepp. Reported by William Blaylock/San Francisco, Christopher Redman/Washington and Adam Zagorin/New York*

Jumbo Loans, Jumbo Risks

Of all the troubles threatening American bankers, none is more controversial or potentially explosive than their overseas loans. Foreign borrowers, mostly governments and companies, owe U.S. banks about $350 billion. The most dangerous loans are to such economically ailing Latin American nations as Mexico, Brazil and Argentina, which collectively owe U.S. banks $59 billion and have barely managed to avoid default over the past two years.

This foreign debt is owed primarily to nine major institutions: BankAmerica in San Francisco, First Chicago and Continental Illinois in Chicago, and Citicorp, Chemical, Chase Manhattan, Manufacturers Hanover, Morgan Guaranty and Bankers Trust in New York City. Together they have $54 billion on loan to Latin America and the Caribbean. That represents a disturbing 157% of the banks' capital, which is the portion of their assets that belongs to the institutions themselves and their shareholders, rather than depositors. In a more limited way, dozens of regional banks, including Milwaukee's First Wisconsin Corp., National Bank of Detroit and Bank of Boston, have strayed into the foreign-loan field. First Wisconsin, for example, has loaned Argentina $70 million, which amounts to 22% of the bank's capital.

These impressive numbers raise questions in the minds of worried depositors: How could a Citicorp, much less a First Wisconsin, become so deeply involved in questionable foreign lending? Who is to blame? Why did Government regulators not keep the loans from getting out of hand?



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Surprisingly, bank loans to foreign governments were almost nonexistent until a decade ago. But the 350% rise in oil prices in 1973 and 1974, from $2.59 per bbl. of Arabian light to $11.65, changed the face of world finance. In the new era of costly energy, scores of countries, not all of them in the Third World, were too strapped to pay their imported-oil bills. At the same time, Western banks suddenly received a rush of deposits from oil-producing nations. It seemed only logical, even humane, that the banks should recycle petrodollars from the rich to the needy.

Some bankers were initially hesitant. Lawrence Brainard, a former vice president of Chase Manhattan, remembers the day that the bank first faced the issue: "In early 1974 I joined a small group of senior bankers discussing a request by Denmark for a balance of payments credit. The key question in the meeting was whether private commercial banks had any business making unsecured loans to sovereign borrowers [governments]. After much soul searching, we turned down the request." Next day, however, a competitor stepped in to make the loan. "Within several months," recalls Brainard, "the resistance of my banking colleagues to sovereign lending gave way."

Once the dam cracked, it crumbled, and the flood was on. It became an everyday event for one or two lead banks in the U.S. or Western Europe to round up dozens of partners by telephone to put together so-called jumbo syndicates for loans to developing countries. Some bankers were so afraid of missing out that during lunch hours they even empowered their secretaries to promise $5 million or $10 million as part of any billion-dollar loan package for Brazil or Mexico. To seal and celebrate big deals, bankers staged signing ceremonies, complete with champagne and caviar, in opulent settings, sometimes a British castle or a mansion in Newport, R.I.

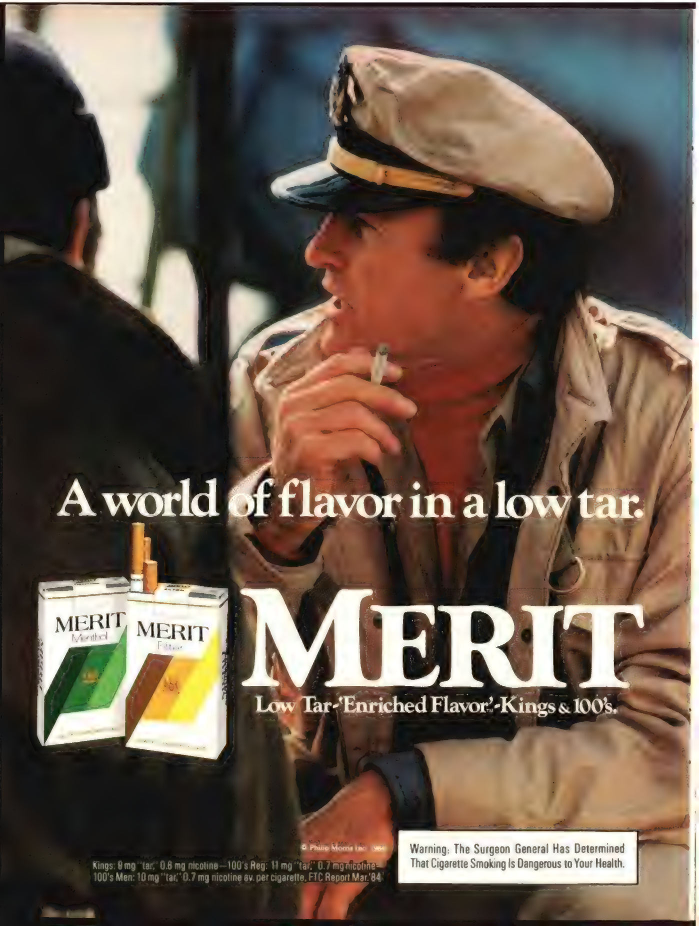
The banks' foreign-loan officers, many of whom were M.B.A.s in their mid-twenties, became accustomed to royal treatment in capitals throughout the developing world. In a *Harper's* magazine article last year, S.C. Gwynne, a former loan officer for a "medium-size Midwestern bank," described a 1978 visit to Manila, where he met with representatives of a Philippine construction company with connections to the government of President Ferdinand Marcos. After being whisked through customs, Gwynne found a red Jaguar and a pretty 20-year-old woman at his disposal. "The girl was unexpected," he wrote. "Bangkok Bank gave me a silver Lincoln but no girl." After returning home, Gwynne, at the urging of his superiors, arranged for his bank to give a $10 million loan to the Philippine company, which later failed to meet its payments.

Banks argue that their foreign loans were encouraged by officials at the U.S. Treasury and Federal Reserve Board. They feared that developing countries would become economically and politically unstable if credit was denied. In 1976 Arthur Burns, chairman of the Federal Reserve, began cautioning bankers that they might be lending too much overseas, but he did nothing to curb the loans. For the most part, they ignored the warning. Financiers were confident that countries like Mexico, with its oil reserves, and Brazil, with abundant mineral resources, were good credit risks. Recalls a former Chase Manhattan banker in Asia: "The world beckoned, and there was a strong feeling that we were laying the foundations of the American century."

That feeling faded fast in August 1982, when Mexico's close call with default dramatized how unsteady the international debt structure had become. Since then, bankers have tightened their purse strings. In the first half of this year, U.S. banks managed to reduce the amount of their foreign loans by $9.4 billion, to $350 billion, by refusing to renew some credits.

Most of the cutbacks have come from regional banks that can afford to pull out because their stakes are small. The bigger banks, by contrast, are in so deep that they have no choice but to keep on lending. If they were to demand repayment, the economies of Latin America would deteriorate and defaults might result. Rimmer de Vries, chief international economist at Morgan Guaranty, projects that U.S. bank loans to developing countries will rise by about 5% annually during the next few years.

For the moment, the world economic recovery has improved the financial prospects of debtor nations by helping them boost exports. In addition, falling interest rates and increased aid from the International Monetary Fund have eased their debt burdens. But no one is convinced that the foreign-loan problem has been solved. Bankers recognize that an upsurge in interest rates or a U.S. recession could ignite the debt troubles once again. —***By Charles P. Alexander. Reported by Gisela Bolte/Washington and Frederick Ungeheuer/New York***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People

His deft political moves have made him one of the most valuable players in the Republican Party, but last week U.S. Congressman **Jack Kemp,** 49, was back on his home turf in Buffalo to attend the retirement ceremony of No. 15, which the former Bills quarterback wore when he led the team to consecutive A.F.L. championships in 1964 and 1965. After his name was added to **O.J. Simpson's** (No. 32) on Rich Stadium's Wall of Fame, Kemp donned his old jersey and watched his team end a 13-game losing streak by upsetting the first-place Dallas Cowboys, 14-3. "That's the last time I'll put it on in public," said Kemp. "I'm just a father and a fan now."

■

Jack LaLanne built his brawny business of spas and health products by preaching that "anything is possible through mind and body conditioning." Last week, to celebrate his 70th birthday in Long Beach, Calif., he put on what must be the definitive proof of the power of positive thinking. As a crowd of onlookers sang *Row, Row, Row Your Boat,* LaLanne, with his hands and feet bound, swam a mile through the city's harbor while towing 70 rowboats, each with at least one person inside. The feat took 2½ hours, but the triumphant human tug emerged from the water saying that he had fulfilled "the dream of a lifetime."

NETZEL—PHOTOREPORTERS

Fit to be tied: LaLanne shows he's still in the swim at Long Beach, Calif.

■

As the founder of Investors Overseas Services nearly three decades ago, **Bernie Cornfeld** presided over a $2 billion financial empire that spanned the globe. Enter Robert Vesco, who in 1971 managed to gain control of the company before being charged by the Securities and Exchange Commission with looting IOS of $224 million. Now Cornfeld, 57, has resurfaced with his own vitamin company, called Better Living Enterprises. The vitamins, he claims, will help poor sleepers and the overweight and even boost people's sex drives. Waving away suggestions that the virtues of his vitamins might be just a bit overstated, Cornfeld predicts, "Some may have doubts until they've tried it. But once they've tried it, they'll be hooked."

MICKEY OSTERREICHER

Kemp: half-time homage

SENNET—SHOOTING STAR

Picture of health: Cornfeld with vitamins at his Beverly Hills home

■

The small gathering at the Western White House in Santa Barbara included three of the President's children, **Ron, Maureen** and **Patti,** and his brother **Neil Reagan.** But as the Reagans celebrated with a traditional Thanksgiving meal last week, **Michael Reagan,** 39, was reacting to some remarks made to a syndicated columnist by his stepmother **Nancy,** who said that there has been "an estrangement" between Michael and his father for the past three years. In Omaha, where he was celebrating Thanksgiving with his in-laws, Michael denied any estrangement. Noting that he and his wife "have the only two grandchildren of the President," Michael, who was adopted during the President's first marriage, to Actress **Jane Wyman,** said of Nancy, "Maybe she's jealous."

■

Barbra Streisand's 1983 film adaptation of his short story *Yentl, the Yeshiva Boy,* produced a Hollywood extravaganza so removed from the original that he still finds the whole subject extremely painful. But that setback didn't dissuade **Isaac Bashevis Singer,** 80, from launching two new plays off-Broadway. *A Play for the Devil* is currently running in Yiddish at the Folksbiene Theater, and a dramatic adaptation of his story *Shlemiel, the First* just closed at the Jewish Repertory Theater. Singer, who won the 1978 Nobel Prize for Literature, has no illusions about the differences between drama and literature, however. "I don't feel as experienced as a playwright as I am at writing stories," he admits. "Still, it's never too late to try." *—By Guy D. Garcia*

NANCY RICA SCHIFF

Singer on the set of *Shlemiel*

MARK—ARCHIVE

For CBS Chairman Thomas Wyman, the spin-off presented "a rare opportunity"

Selling Off a Magazine Empire

CBS and Rupert Murdoch divide the Ziff-Davis publications

When William Ziff put 24 profitable periodicals on the block last month, there was no shortage of eager bidders. Ziff-Davis, a subsidiary of the Ziff Corp., was offering for sale twelve consumer magazines and twelve technical and travel publications, most of them leaders in their markets. Among those interested were the New York Times Co., Time Inc., Hearst, CBS and ABC. The massive sell-off was accomplished in just 24 hours last week, when CBS purchased the consumer group for $362.5 million, and Australian Press Lord Rupert Murdoch bought the trade publications for $350 million. Although the cash may have sounded middling by the standards of current Wall Street corporate transactions, the sales ranked as the biggest and second-biggest deals in magazine history. Said Smith, Barney Analyst Edward Atorino: "Ziff got much more for his magazines than anyone thought he would. In terms of getting the best price possible, Ziff is clearly the winner."

Many other industry observers felt, however, that the buyers were as fortunate as the seller. Since the Ziff magazines are among the most lucrative in publishing (each of the two groups had annual profits of some $32 million last year), the impact of the acquisitions will be dramatic for both purchasers.

For CBS, the Ziff publications (*Backpacker, Boating, Car and Driver, Cycle, Flying, Modern Bride, Popular Photography, Skiing, Skiing Trade News, Stereo Review, The Runner* and *Yachting*) are a windfall. In one stroke, CBS added a dozen established moneymakers with a combined circulation of an estimated 4.7 million to its publishing operation. The company already owned eleven titles, including the Sunday newspaper supplement *Family Weekly* (circ. 13 million), *Woman's Day* (circ. 6.9 million), *Field & Stream* (circ. 2 million) and *Mechanix Illustrated* (circ. 1.6 million). Ziff called CBS "a great new home" for his magazines. A delighted CBS Chairman Thomas Wyman, who helped engineer the deal, described it as "a rare opportunity to acquire a very successful, well-managed business."

One immediate advantage of the purchase is that CBS will be able to offer advertisers more enticing combinations of readers. A common practice in advertising is to buy space in a number of a publisher's magazines. The advertising rate is lower than it would be if space were bought in one publication at a time, the advertiser reaches a broader audience with similar interests, and the publisher is able to use the range of his titles to increase ad pages across the board. Some areas of overlap at CBS resulted from the acquisition. Ziff's *Cycle* and CBS's *Cycle World*, for instance, are the two leading motorcycle magazines; Ziff's *Car and Driver* appeals to many of the same readers as CBS's *Road & Track*; Ziff's *Stereo Review* and CBS's *Audio* are rivals, as are *Popular Photography* (Ziff) and *American Photographer* (CBS). Nevertheless, CBS said none of these publications would be dropped. The move to beef up the CBS publishing division follows the company's recent decision to shut down such video ventures as a cultural cable network, a videodisk operation and a direct satellite broadcast operation that suffered estimated aggregate losses of $100 million over three years.

Rupert Murdoch's purchase represents a great leap forward for his fledgling magazine interests. News Corp., Murdoch's $1.6 billion Australia-based publishing empire, is dominated by a string of newspapers that now extends across three continents and includes the *Times* of London, the Boston *Herald*, the New York *Post* and the Chicago *Sun-Times*, which was acquired last year for $100 million. With the exception of the *Times*, Murdoch's brand of journalism is frequently pugnacious, sensational and strident.

Until now, Murdoch's only nondailies in the U.S. were the trendy once-a-week *New York* (circ. 422,819), the monthly *New Woman* (1.3 million), and two weekly tabloids, the gossipy *Star* (3.8 million) and New York City's *Village Voice* (160,929). His new venture into the magazine business brings him narrow-focus

Publisher Murdoch in his New York office with some of his new holdings

Nearly every major publisher was interested when Ziff said he was ready to sell.

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journals such as *Travel Weekly, The Official Hotel & Resort Guide, Aerospace Daily* and *Business and Commercial Aviation*. The move probably presages even more expansion for the acquisition-minded Murdoch. Last winter Murdoch tried to buy almost half of Warner Communications, the entertainment conglomerate. Though unsuccessful, he scored a hefty profit of $41 million when Warner bought back his shares at a premium.

"I was impressed with the publications' editorial excellence," said Murdoch about the latest entries in his fold. "This is a major strategic investment for our company." Said Ziff of Murdoch: "We are of one mind on how this business should be continued—with the high publishing standards and the independence that have built the publications to their present pre-eminence."

Like CBS's Wyman, Murdoch emphasized his intention to make few changes in his new properties. But if he sticks to his word, that will be a departure for a controversial owner who has never hesitated in the past to override his editors or even write the headlines for some of his newspapers. As Murdoch was closing his deal last week, an editor at one of CBS's new magazines expressed relief that Murdoch had not bought the Ziff consumer division. Said she: "This is more of a merger than a takeover. You assume that when a company like CBS makes this kind of commitment, it is buying the management techniques that have been so successful."

There was much speculation but no convincing answers as to why Ziff, 53, wanted to jettison the roster of magazines he had spent a lifetime building. Last year the publicity-shy former philosophy student sold off his six television stations for $100 million. As the owner of a privately held concern, Ziff is neither obliged nor inclined to explain his decision. Ziff still owns eleven computer magazines (*PC, Creative Computing, Computers & Electronics*), a computer business and some data services. Some industry insiders say that Ziff simply lost interest in his older publications. Other sources attribute the sales to what they call his failing health. Ziff would only say, "The reasons for this decision are personal ones."

Whatever his motives, Ziff tripled his net worth to an estimated $850 million last week. By spinning off the magazines as two complex groups instead of disposing of them one at a time, Ziff ensured that they would be transferred with their editors and staffs largely intact. This benign consideration is in character for the publisher, who once described himself as a "corporate socialist."

As Ziff explained his feelings about those who worked for him: "Even the dear old bottom line can normally best be served by having people who have other purposes than the bottom line. You have to enjoy what you are doing." In his case, an extra $712.5 million should make that considerably easier. —***By Janice Castro.***
Reported by Raji Samghabadi/New York

GH PATRICK BROWN

Karmarkar at Bell Labs: an equation to find a new way through the maze

Science

Folding the Perfect Corner

A young Bell scientist makes a major math breakthrough

Every day 1,200 American Airlines jets crisscross the U.S., Mexico, Canada and the Caribbean, stopping in 110 cities and bearing over 80,000 passengers. More than 4,000 pilots, copilots, flight personnel, maintenance workers and baggage carriers are shuffled among the flights; a total of 3.6 million gal. of high-octane fuel is burned. Nuts, bolts, altimeters, landing gears and the like must be checked at each destination. And while performing these scheduling gymnastics, the company must keep a close eye on costs, projected revenue and profits.

Like American Airlines, thousands of companies must routinely untangle the myriad variables that complicate the efficient distribution of their resources. Solving such monstrous problems requires the use of an abstruse branch of mathematics known as linear programming. It is the kind of math that has frustrated theoreticians for years, and even the fastest and most powerful computers have had great difficulty juggling the bits and pieces of data. Now Narendra Karmarkar, a 28-year-old Indian-born mathematician at Bell Laboratories in Murray Hill, N.J., after only a year's work has cracked the puzzle of linear programming by devising a new algorithm, a step-by-step mathematical formula. He has translated the procedure into a program that should allow computers to track a greater combination of tasks than ever before and in a fraction of the time.

Unlike most advances in theoretical mathematics, Karmarkar's work will have an immediate and major impact on the real world. "Breakthrough is one of the most abused words in science," says Ronald Graham, director of mathematical sciences at Bell Labs. "But this is one situation where it is truly appropriate."

Before the Karmarkar method, linear equations could be solved only in a cumbersome fashion, ironically known as the simplex method, devised by Mathematician George Dantzig in 1947. Problems are conceived of as giant geodesic domes with thousands of sides. Each corner of a facet on the dome represents a possible solution to the equation. Using the simplex method, the computer scours the surface of the dome millions of times to pinpoint the corner with the most likely solution. But the method is slow, and it works only when there are merely a few thousand variables to sort through. Says Karmarkar: "Once you get above 15,000 or 20,000 variables, the method sort of runs out of steam."

Karmarkar's technique does not attempt to calculate the location of every solution but takes a circuitous route, eliminating groups of combinations without actually considering them, all the time changing the shape of the dome. The mathematician compares this search to origami, the Japanese art of paper folding: the pieces of paper are creased and shaped until the perfect corner—the long-sought solution—is in the center of the figure.

When the computer program becomes available to commercial users, American Airlines will be far from the only customer waiting in line. Bell Labs' parent company, A T & T, will probably employ the algorithm to route millions of telephone calls through hundreds of thousands of cities and towns more efficiently and profitably. Exxon has expressed interest in Karmarkar's program to help improve its allocation of supplies of crude oil among various refineries. For many large companies, says Graham, finding the best solution, as opposed to one that is merely workable, "can mean the difference between a good balance sheet and a mediocre one." —***By Natalie Angier.***
Reported by Peter Stoler/New York

GM

New Calais from Oldsmobile.

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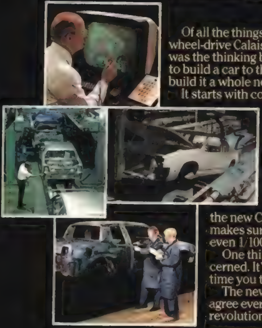

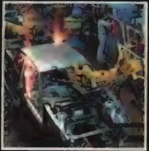

Of all the things that changed when the 1985 front-wheel-drive Calais was created, what changed most was the thinking behind it. It was clear, the only way to build a car to these exacting standards was to build it a whole new way.

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One thing, though, hasn't changed where the new Olds Calais is concerned. It's that special Oldsmobile feeling of pride you enjoy every time you take a ride.

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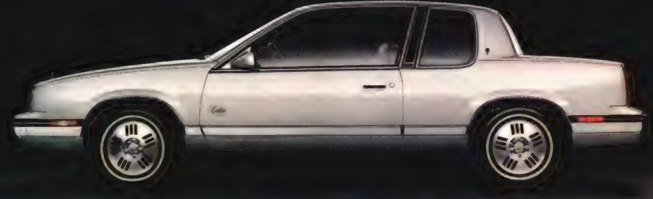
Calais



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GREENPEACE USA

Greenpeace demonstrators besiege an abattoir on the Japanese coast

Stirring Up a Whale of a Storm

A U.S. deal with Japan would keep hunters in business until 1988

In Luxembourg, protesters swamped the U.S. and Japanese embassies with so many telephone calls that they blocked the lines. In cities as far apart as Bonn, Stockholm, Amsterdam and Christchurch, New Zealand, demonstrators paraded outside the two nations' embassies. In Copenhagen, the harbor statue of the Little Mermaid had a Japanese flag draped at her feet and was blindfolded with an American flag; she was also impaled by a symbolic harpoon. These protests were held around the world last week in the name of peace—peace for the threatened leviathan of the deep, the sperm whale.

The killing of this whale was supposed to have ended after this year's spring hunt by order of the 40-member International Whaling Commission (IWC). But Japan's commercial fleet is still slaughtering sperm whales. And the U.S. Government, to the anguish of environmental groups, is allowing Japan to continue.

The problem goes back to 1981, when Japan joined Norway and the Soviet Union, the only other nations that hunt significant numbers of whales, in filing an objection to the killing ban. For three years the Japanese whaling industry, which employs more than 50,000 people, has been pleading with Tokyo not to put it out of business. At the same time, the government was being pressed by Washington to abide by the ban. Despite this pressure, the Japanese announced that they would catch 400 sperm whales in the 1984-85 season, and in early November a four-ship whaling fleet put out to sea. Two weeks ago, one of the ships returned to port with two sperm whales.

The killing of the whales might have been expected to provoke a quick response from the U.S. The Packwood-Magnuson amendment to the 1976 Fishery Conservation and Management Act requires Washington to punish those countries that "diminish the effectiveness" of the international convention for the regulation of whaling. It can do this by curtailing their fishing rights and slashing by 50% the amount of fish they are allowed to take from American territorial waters. Such sanctions would have little impact on countries that do their fishing close to home. But they would have an enormous effect on the fish-eating Japanese, who last year alone accounted for 971,000 metric tons, or nearly 75% of the 1.3 million metric tons of fish taken from U.S. waters by foreign fishermen.

KRISTENSEN—GREENPEACE

Copenhagen's Little Mermaid

"It's an absolute sellout."

The U.S. Government, however, has declined to impose penalties. Reluctant to antagonize a major trading partner, the Administration has instead tried to make a deal. After two weeks of talks with the Japanese, the U.S. announced two weeks ago that it was dropping the threats of punitive action, and in return the Japanese had agreed to end all commercial whaling by the end of 1988. But whether the Japanese will stand by the agreement appears to be in doubt. Late last week, Shigeru Hasui, managing director of the Japan Whaling Association, declared that "we do not intend to stop whaling after 1988 because there is no reason to do so."

Environmentalists are outraged by the Administration's compromise. "It's an absolute sellout," says Craig Van Note, executive vice president of a Washington-based consortium of animal-welfare groups. Thomas Garrett, the head of the U.S. delegation to the IWC's 1981 meeting, agrees. "What the Administration is actually doing is caving in to Japanese pressure," he says. "The U.S. has not won a promise from Japan to end commercial whaling and may not even have a deal to limit sperm whaling." Conservation groups have sent U.S. Secretary of Commerce Malcolm Baldrige a letter documenting Japanese whale kills this year and urging him to "certify" the Japanese as violators of the IWC agreement. If he does not, they say they will take the Government to court. William Rogers, who represents the environmentalists, notes that a lawsuit would be "based on the premise that any commitment by the Secretary of Commerce not to certify Japanese sperm whaling would be an unlawful agreement not to enforce U.S. law."

In the future, Japan can expect to meet more protests from save-the-whalers. The activist conservation group Greenpeace, for one, is organizing a boycott of Japan Air Lines by attempting to pressure travel agents in twelve countries served by JAL to ticket passengers on other carriers. But there is some fear that the protests will be too late and that the U.S. reluctance to censure the Japanese might encourage other nations to resume whaling. That could bring to an end the decade-long effort to save sperm whales from depletion. In Hasui's view, that is not a problem because, he says, the annual Japanese catch is a tiny fraction of the estimated 200,000 sperm whales in the oceans. Nor is there a substitute for the whale: in Japan, whalemeat is a prized delicacy. —***By Peter Stoler. Reported by Neil Gross/Tokyo and Christopher Redman/Washington***

A Bold Stand on Birth Control

John Paul insists that Catholics must shun contraception

As sunlight streamed through abstract stained-glass windows in the Vatican's ultramodern audience hall, Pope John Paul II told 7,000 pilgrims last week that the practice and attitude of contraception were "harmful to man's interior spiritual culture." Roman Catholic couples, said he, must make a true spiritual evaluation of their sexual relations and express "mature availability to fatherhood and motherhood."

The talk was the 14th in an extraordinary series of discourses this year on birth control at the Pope's weekly general audiences. The aim: to underscore the church's ban on artificial methods. In official policy, abstinence during a woman's fertile time is the only acceptable means of preventing conception. As the Vatican's chief delegate said at the International Conference on Population in Mexico City last August, Roman Catholic teaching not only is unchanged but "has been reaffirmed with new vigor." Despite the hopes of some liberals that the Vatican would eventually downplay or even soften the birth control ban, John Paul has pressed the issue. He wants to establish the church's view strongly for future generations.

To some, the issue involves the credibility of the church's magisterium, or teaching authority. In Western Europe and North America, there is widespread dissent among Catholics on the birth control question. A 1982 survey by the U.S. Government's National Center for Health Statistics found that 91% of Catholic women between ages 15 and 44 who have had sexual intercourse used artificial methods.

The Pope lecturing in the Vatican: for some, a question of the church's authority

Says Father William Smith, dean of St. Joseph's Seminary in New York, who favors the Pope's clampdown: "Every moral question is at stake in the contraception debate." The dilemma for developing nations is equally difficult. Some critics of the Holy See argue that rapid population growth in the Third World poses a major threat to world stability.

The Pope's lectures reaffirm a centuries-old Catholic belief, formalized in Pope Pius XI's 1930 encyclical *Casti Connubii* and Paul VI's 1968 encyclical *Humanae Vitae*. The Pauline document, which created a furor, declared that "every marriage act must remain open to the transmission of life." The reason: "In the plan of God" there is an "inseparable connection" between the "unitive meaning and procreative meaning" of the marital act. John Paul, when he was Bishop Karol Wojtyla, wrote an enthusiastic preface to the Polish edition of *Humanae Vitae* and was among the bishops who most vigorously promoted its teaching.

Paul VI based his pronouncements on "natural law," principles built into creation by God that humanity can learn through reason. John Paul's teaching is based on natural law plus divine law, which is part of "the moral order revealed by God." For John Paul, explains one Vatican theologian, the question of contraception "takes us to the center of Christianity." The Pope also puts his teachings within the new context of his "theology of the body," which stresses human dignity and the beauty of sexuality.

In one talk, the Pontiff declared that sex "ceases to be an act of love" whenever artificial birth control is used. That idea appeared in a book that he wrote in 1960, when he was a bishop, but is new to papal teaching. John Paul also stresses that acceptable natural methods of birth control can be an "abuse" if practiced for "unworthy reasons." Pope Pius XII, in a 1951 speech, said that Catholic couples could use the natural, or rhythm, method for serious "medical, eugenic, economic and social" reasons. John Paul shows little enthusiasm for promoting even these methods.

There may be an additional reason for the tougher Vatican stance. The Pope's advisers believe that recent events have strengthened their case. They argue that natural methods have achieved greater reliability in preventing conception, that there is a bit less doomsaying about the population explosion and mass privation, and that health questions about artificial methods have been raised. To conservatives, the casual attitude in Western society toward sex provides an additional reason for concern.

Some Catholic thinkers are unpersuaded. Noted West German Theologian Father Bernard Häring has argued that biological functions, far from being "untouchable," must be "subordinated to the good of the whole person and marriage itself." Jesuit Richard McCormick of Georgetown University claims "a lot of bishops believe you can't find the arguments to sustain papal teaching." Father Charles Curran of the Catholic University of America doubts that the ban is based on good reasoning, concluding that "faith and reason cannot contradict one another." Curran and McCormick think that the Pope may crack down on dissident priests and make the birth control issue a litmus test in appointments of bishops and seminary professors.

The Pope's position is strongly endorsed by bishops in the developing nations, where population growth is most unchecked. Those Third World bishops who worry about the population problem promote only natural methods. In such nations as the Philippines and Kenya, Cardinals have publicly decried government population programs. For workaday Catholics in impoverished nations, however, it is often not bishops who define what is sinful but parish priests. On that level, the Pope faces increased individualism among priests in the Third World. Typical of many in overcrowded urban slums, Dominican Father Miguel Concha of Mexico City remarks, "If I know someone is using an artificial method, I'm not going to think they're in serious sin. I'm going to respect their decision, though I'll exhort them to seek medical advice so as not to risk the woman's health." —***By Richard N. Ostling. Reported by Michael P. Harris/Washington and Roberto Suro/Rome, with other bureaus***

Color Gloria Allred All Rebel

A California feminist fights with showmanship and scholarship

There is nothing pastel or pale about Gloria Allred. From her jet-black hair to her brilliant red lipstick to her usual attire of electric purple or Chinese-red dresses, she is as brightly colored as her name suggests. But there is a lot more to this Los Angeles attorney than vivid packaging. By adroitly combining showy tactics and solid scholarship, Allred over the past ten years has become one of the nation's most effective advocates of family rights and feminist causes. Declares Allred: "The law should be a sword and shield against the wrongs that women are forced to suffer."

When a grandmother was abducted from the parking lot of a shopping mall and raped, Allred sued the center for lax security. She won an $85,000 settlement; the adverse publicity forced the mall to adopt more stringent protection for shoppers. When an oil company refused to promote a woman to its marketing department because customers in South America were reluctant to deal with women, Allred sued. An appellate court ruled that a company may not discriminate because of customer preference. Badgered by Allred, a dry-cleaning chain decided to equalize the prices it charged for cleaning similar men's and women's shirts.

Allred, 43, has not limited her "sexploitation" cases to women. When Actor LeVar Burton wanted custody of an illegitimate child that he admitted siring, Allred got him joint custody. She has also countersued the producers of the movie *Hardrock* for $1 million on behalf of another actor, Neal Sheldon, who walked off the film because he was asked to appear in the nude.

The crusader has been at her agitating best in the past few weeks. As cameras rolled, the pixieish, 5-ft. 3-in., 110-lb. lawyer perched atop two volumes of the California Annotated Code stacked on her office chair and exulted over a state court ruling striking down a mobile-home park's adults-only policy. Next day Allred vowed to continue pressing a suit for $21 million against the city's Roman Catholic archdiocese on behalf of a woman who claims that she was sexually abused by seven priests, even in the confessional of a church, and that she bore a child by one of them. At issue, insisted Allred, is "clergy malpractice."

Last week she scored again. Before a poster of the traditional Thanksgiving bird that carried the slogan DON'T BE A TURKEY. PAY YOUR CHILD SUPPORT, Allred and Los Angeles District Attorney Robert Philibosian announced the encouraging first results produced by her controversial campaign to persuade newspapers to publish the names of delinquent parents. After papers publicized 254 of the "deadbeat dads," 30 of them were located. Says Allred: "To paraphrase Gloria Steinem, 'You have to perform an outrageous act or rebellion every day.' "

The Los Angeles crusader places a call in her plush office

Her tactics include turkeys, frogs and chastity belts.

JEFF CORWIN

Born in Philadelphia to a door-to-door salesman and his English-born wife, Gloria Rachel Bloom began rebelling in college. As an English honors major at the University of Pennsylvania, she insisted, despite faculty reservations, upon doing her thesis on black Novelists James Baldwin and Ralph Ellison. She met a young man in her freshman year, married him as a sophomore, gave birth to a daughter in her junior year and got a divorce before graduating. Allred went on to earn a master's degree in English education at New York University, taught at an all-black boys' school in Philadelphia, then moved to Los Angeles to teach in the Watts ghetto after the 1965 riots.

Appalled by the plight of female teachers and becoming aware of the growing feminist movement, "I started asking myself about women's rights," recalls Allred, "and I started asking what rights we didn't have." She had several personal experiences to draw on. While at N.Y.U. she had worked as a buyer at Gimbels department store. She earned $75 a week, while a man doing the same job got $90 "because he had a family. Well, so did I—an infant daughter." Earlier there had been a more brutal awakening. While on vacation in Acapulco after college, she met a local doctor who invited her out to dinner after he made some house calls. The last stop, says Allred, was a motel, where the man pulled a gun and raped her. She says she nearly died after a subsequent illegal abortion in the U.S.

The solution to social inequities, as Allred saw it, was in the law. She graduated from Los Angeles' Loyola Law School in 1974 and set up a practice with three classmates, specializing in family law. Allred, Maroko, Goldberg & Ribakoff now numbers five women and six men—"all feminists," boasts Allred. The firm's star operates from a plush office jammed with antiques and feminist bric-a-brac. Among the items: a captain's desk with female gargoyles and a bewigged mannequin bearing a plaque THE QUEEN IS NOT GRANTING AUDIENCES TODAY. The sign is a gift from her daughter Lisa, a second-year law student at Yale. Working 14-hour days leaves Allred little time with her husband William, 53, an aircraft-parts dealer. The two married in 1968. William Allred supports his wife but jokes, "The sole saving grace between me and John Zaccaro is that Gloria will never run for public office."

She is, however, not abashed about running after public officials. When archconservative State Senator John Schmitz chaired some hearings on abortion in 1981, Allred presented her testimony and then gave Schmitz a black leather chastity belt. Schmitz, in a press release, later described the meeting as filled with "hard, Jewish and (arguably) female faces" and called Allred a "slick butch lawyeress." Allred did what came naturally, slapping him with a $10 million libel suit. At a subsequent press conference called by Schmitz to discuss Middle East tensions, she showed up to present him with a box of frogs. Cried Allred: "A plague on the house of Schmitz!"

Such flamboyant gestures trouble some of her colleagues. Says Attorney Marvin Mitchelson, no shrinking violet himself: "Her style is a little bit rough on the edges." But others see nothing wrong with her flair for the dramatic. Noting that Allred is careful to keep her theatrics outsides of court, Justice Joan Dempsey Klein of the California Court of Appeal says, "She does her homework; her success rate is good. She is both style and substance. So long as there is not an equal rights amendment, there will be lots of work for Gloria Allred." ***—By Anastasia Toufexis. Reported by Joseph J. Kane/Los Angeles***

Education

A Debate over "Dumbing Down"

Textbooks, using formulas for simplicity, produce perplexity

"Tap, tap, tap. See me work. I make good things. See the red ones. See the blue ones. See the yellow ones. No, no, no. I do not want red ones. I do not want blue ones. I want green ones."

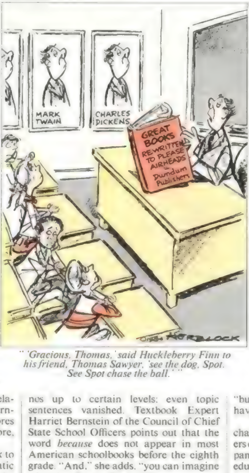
Question: What article is being manufactured in the above passage? Too hard? Try these selections, then. What stage of a frog's development is being described in the following excerpt: "A new frog is like a fish. He must stay in the water. You may have seen a little frog as he hopped out of the water. Then you may have seen him hop back in again." In American history, how true is it to say that former President Richard M. Nixon became enmeshed in Watergate because "he tried to help his friends"?

Readers who are perplexed by this quiz can thank the stars if they are no longer in school. For these samples come from standard texts and other reading used by millions of American youngsters in elementary and secondary grades. Bonnie Armbruster, a researcher at the University of Illinois Center for the Study of Reading, last month ran an experiment in which she gave a group of adults 20 paragraphs from sixth-grade texts. "Their instructions," says Armbruster, "were to underline the main idea—if they could find it—and if they couldn't, then to write one of their own." The grownups flunked on both counts: the content was so disjointed they could not pick out a main idea. "They couldn't believe these excerpts were from real textbooks," Armbruster adds.

But the books are real, and they are the product of a process that outgoing Secretary of Education Terrel Bell has labeled the "dumbing down" of study materials for U.S. classrooms. Significantly, in a study at Harvard of sample texts and standardized test scores for Grades 1, 8 and 11, Reading Expert Jeanne Chall discovered a correlation between textbook quality and learning. "We saw that in the years SAT scores went down," she says, "the year before, textbooks had also declined."

The roots of dumbing down go back to the 1920s, when schools began systematic testing of students and concluded that the curriculum was too hard. "They made the curriculum easier," says Chall, "and they made it easier, and they made it easier." The principal target was the textbook, which provides from 75% to 90% of the curriculum content. A key instrument was a set of readability formulas designed to measure the difficulty of a text. Most of the formulas are based on three factors: word length, sentence length and the number of uncommon words. For example, a 15-word sentence or a three-syllable word may be rated too tough for first grade.

No sooner were the formulas created by reading specialists than the details hardened into a doctrine by which educators judged the books they would allow in classrooms. Moreover, the formulas hatched lists of specific words and sentences deemed inappropriate. Subordinate clauses and connectives became nonos up to certain levels: even topic sentences vanished. Textbook Expert Harriet Bernstein of the Council of Chief State School Officers points out that the word *because* does not appear in most American schoolbooks before the eighth grade. "And," she adds, "you can imagine what that does to the text."



" 'Gracious, Thomas,' said Huckleberry Finn to his friend, Thomas Sawyer, 'see the dog, Spot. See Spot chase the ball.' "

What these rules do to a text is create horrors like Modern Curriculum Press's "Tap, tap, tap . . ." story for first-graders, an adaptation of the classic fairy tale *The Shoemaker and the Elves*, in which the words elves, shoemaker and shoes do not appear. In the same way, the frog-fish, from Ginn & Co.'s *Across the Fence*, is a creature of formula writing, whose intent may be simplification but whose consequence is too often mystification. That mystification is compounded by ethnic, religious, political and other groups that have lobbied their attitudes and taboos into texts. In Maryland, Tom Sawyer no longer says "honest injun." Just "honest." And the bland Watergate reference from McGraw-Hill's fifth-grade social-studies textbook *United States* is a result of the almost universal avoidance of controversy in textbooks.

Most critics of dumbing down have found it easiest to blame publishers. But the fact is that publishers try to produce what their customers want. Twenty-two states, including Texas and California, whose combined purchases account for nearly 16% of the $1.1 billion market, have statewide adoption codes weighted with formulas and taboos. Since it may cost up to $20 million to develop a major, text-based study program, publishers have to cater to the rules of the big states. Moreover, much of the pressure for simplified texts has come from overworked or undertrained teachers who need something easy to handle in class. This is particularly true in such states as California and Texas, with high percentages of foreign-born or ghetto students with poorly developed language skills.

In San Francisco last month, Bill Honig, California's superintendent of public instruction, voiced the widespread frustration with the textbook dilemma when he asked a convocation of 43 educators and 50 representatives from 16 publishing houses, "Who is in charge?" The answer is everybody and nobody. Certainly not Honig, though his voice has been one of the loudest and most persistent calling for textbook reform. In his own state, below fifth grade a zoo story may not include such words as beaver, parrot, goat—and zoo. A California anti-junk-food lobby's taboo still limits its references to ice cream, cake and pie. "I'm all for good eating," says Illinois Reading Specialist Jean Osborn, "but for a child in a story not to be able to have a birthday cake?"

Honig remains confident of impending change. At the conference he told publishers of new, higher standards, outlined in two pamphlets approved by the state board of education. But industry representatives are skeptical. "We've heard a number of times that things were going to change," says Roger Rogalin, editor in chief of D.C. Heath & Co. Yet the formulas remain in place. "It's a catch-22 situation," sums up Bernstein. "Until the states stop requiring readability formulas, publishers won't stop using them to write and edit texts." **—By Ezra Bowen. Reported by Teresa Barker/Chicago and Dick Thompson/San Francisco**

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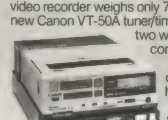

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The Little Trophy Comes to Life

A passing delight, Doug Flutie winds down a career too short

Because *the biggest, greatest* and *best* are tossed about so easily in sports, like footballs in the Miami rain, the most articulate superlative left may be just a gasp changing to a sigh, such as Doug Flutie brought to college football last week. The most cuddly player in history, or at least since Eddie LeBaron, appears about to run away with the Heisman trophy. Mindful that there have been stirring football finishes for 100 years, and rip-roaring games the equal of Boston College's 47-45 victory over Miami, it can be fairly stated that never have a forward pass and a statue's unveiling been more favorably timed.

As devoted as sportsmen are to collecting shiny gewgaws, this is the only athletic mantel piece that would be noticed at Westminster Abbey, and the thought of it cradled under the arm of Flutie, or vice versa, brings a smile. Exactly 25 lbs. of bronze immortality, the Heisman figurine depicts a stiff-arming ballcarrier, a suggestive pose these past 49 years to a literal-minded electorate that now numbers 1,050 experts, some of whom have seen a college football game this season. Although emblematic of the best player, whatever his position, the Heisman never has exalted an interior lineman, and runners have been preferred to quarterbacks. Flutie has the instincts of a runner ("I just love tucking the ball and taking off"), but he is a quarterback from head to toe, a distance of 5 ft. 9¾ in. "I don't know how I could play," he says, "if the ball wasn't in my hands and the game wasn't in my control."

Still, some four seasons and 11,000 yds. ago, he was willing to find out. Initially refused a scholarship at Boston College, then tendered the last one available after a coaching change, Flutie arrived from nearby Natick High as a fourth-stringer. By the final quarter of his fourth idle Saturday, glumly watching B.C. in its usual throes—this time trailing Penn State 31-0—he had about resolved to ask Jack Bicknell for a trial at wide receiver, when the coach turned and scanned the bench. In the best tradition of the worst movies, Flutie went in and passed for 135 yds.

While Penn State won that game, the Nittany Lions make a good touchstone for the spectacular Flutie years. He threw on them for 520 yds. the next season, 380 the year after that and 447 a few weeks ago, getting on to a mile against one team alone. He has passed for 10,303 yds. in all and has run that up to 11,054, both major-college records. But the cold figures are not what has warmed New Englanders, who as a rule show no more passion than penchant for this primal sport of Texas and Ohio. Boston College was 0-11 as recently as 1978, and while the Eagles are currently 8-2 and bound for the Cotton Bowl, no one expects that to be their standard fare from now on. Locally, the Flutie phenomenon has been regarded as an age of delight that will never be repeated, and maybe the country should share the lament.

SKIPPER—AP

Flutie dodges a Hurricane

From fourth-stringer to Heisman winner?

For, as college football becomes more of a job and less of a joy, and as the athletes grow greater and larger and too much alike, when will there be another player so natural and resourceful and so much fun? Will a 5-ft. 9¾-in., 174-lb. man ever again win the Heisman? Only Flutie seems unsure whether he has won it yet. "I can't help dreaming of the Heisman," he says, "but it scares me more than anything." Immediately following the Holy Cross game in Worcester this week, he will be airlifted to New York City's Downtown Athletic Club for the announcement. Last year he was on the program as the underclassman in waiting. Keith Byars, a junior tailback from Ohio State, and Bernie Kosar, the sophomore quarterback from Miami, appear best suited for that part now. Against Flutie's 472 yds. passing last week, Kosar had 447. He left Boston College only 28 seconds to travel the last 80 yds. With two seconds left, Flutie was reeling backward from his own 48-yd. line to the 36, but then spun the last pass 65 yds. in the air to Roommate Gerard Phelan. Kosar walked away.

The Heisman was always Flutie's to lose, and he did not, so early-season injuries to Auburn Junior Bo Jackson and Navy Senior Napoleon McCallum seem less significant than just sad. McCallum's fractured ankle especially. He went to the Naval Academy to become an astronaut and became the nation's top all-purpose runner instead. Forty carries and 191 yds. into this season, only 83 yds. from the Navy rushing record, McCallum broke down in the process of struggling to get out of bounds to stop the clock. Still fighting time, he has not despaired of making it back for Army this week or of preserving his pro skills through a five-year military hitch.

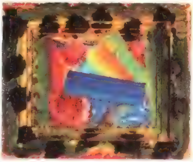
Flutie's professional future looks as wide open at 22 as his offense. He might be Roger Staubach, the best, and he could be Gary Beban, the bust. He even has the potential to join Pete Dawkins of Army and Princeton's Dick Kazmaier as the only Heisman winners since 1951 to eschew the business. Already in possession of a National Football Foundation scholarship, Flutie has been nominated for a Rhodes. (He doesn't drink or smoke either.) A few National Football League scouts have been commending him to the U.S.F.L. or Canada. "Maybe somebody will roll the dice and give him a chance," the New York Giants' Tom Boisture has said, "but not us." Dick Steinberg of the New England Patriots agreed: "What can you say? He's short."

The Washington Redskins' Bobby Beathard is of a different mind: "Certainly Flutie can play in the N.F.L. We have a lot of so-called misfits that weren't the right this or that. I think he's a terrific football player, and he has the things that you can't coach. Given his ability to move around, and the adaptability of coaches today, I don't believe his size will stop him." Beathard tried out at quarterback for the Redskins in 1959, when Eddie LeBaron was a drop-back passer of 5 ft. 7 in. All quarterbacks are screened by their blockers, but LeBaron showed him that vision can be more profound than sight lines. "Flutie's got the most important thing, I think—inside."

In Flutie's own view, "everything points to the U.S.F.L., if you know what I mean." Riches are already whispered. "But for some reason, deep down inside, I just have a feeling I'll wind up in the N.F.L. I'm not the greatest athlete in the world, as far as height, speed, strength or anything else. But I'm a good blend of a number of things," not the least of them fun. *—By Tom Callahan*

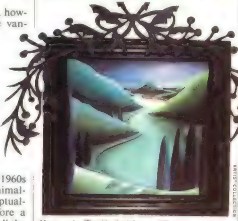
Returning to the Frame Game

Painters garnish the edge with daubs, cutouts, even cutlery



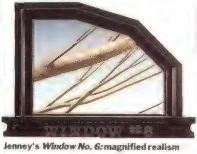
PRIVATE COLLECTION, CHICAGO

Hodgkin's *Goodbye to the Bay of Naples*



ARTIST'S COLLECTION

Herman's *The Varied Carols I Hear*



CHARLES SAATCHI

Jenney's *Window No. 6:* magnified realism

"The Louvre at first was only gold frames to me," Gertrude Stein once wrote. "In a way it destroyed paintings for me." By the early 20th century, artists and enlightened collectors were already beginning to do away with old-fashioned picture frames, with their gilded inlets and adamant pirouettes. Let painting be painting, they decided, without a competing spectacle at its own borders. This preference soon converged with Bauhaus notions of design, which enforced the modernist distaste for frills. By mid-century, the opponents of effusive framing had their ultimate triumph: the frameless wafers of abstract expressionism.

No conquering style in the arts, however, is safe from a return of the vanquished, often dressed as an avant-garde. Today spartan modernism has been surprised in its sleep by a postmodern taste for ornament and the revival of moribund styles. Partly as a result, some artists are garnishing the edge again. Trompe l'oeil frames, tutti-frutti borders and jigsaw-cut silhouettes are multiplying in galleries that not long ago featured only trim metal runners.

The change reflects new fashions in art. Impassive styles of the 1960s and '70s—the chaste morsels of minimalism, the arctic pleasures of conceptualism—are now well in retreat before a wave of gesture, expressionism and all the tumult of "painterly" painting. Encouraged by a climate favoring vigor and personality, artists are propelling the brush past the borders of the canvas or turning out sculpturally elaborated frames that complement work in which the hand prevails. At the same time, a general drift away from resolutely flat abstractions and a return to representational painting have revived notions of the picture as a window onto the illusion of a three-dimensional space. Says Painter Neil Jenney, who uses oversize frames to magnify his intentions as a realist: "Illusionistic painting demands a frame. It functions as a foreground. The frame is 'here,' with you; the illusion is 'there,' in the picture."

Not surprisingly, playful frames are most often found around the work of newer artists, the ones most likely to resist received tradition (and to follow fashion). A deliberately cartoonish image by Kenny Scharf sports edges decked with plastic dinosaurs and rockets. Larger-than-life wooden silhouettes—two birds, for instance, or a garland of branches—shoot up around the landscapes of Alan Herman. More established figures are also working in the same vein. Howard Hodgkin, whose canny strokes of pigment hint at enclosed views, sweeps paint across the frame to twit its pretensions as the final proscenium.

Like Hodgkin, some artists are not so much working on the frame as working past it. They spill color across its borders to reject its entrenched authority. Others are working with decorative attachments and sculptural effects, not mocking the frame but embracing it, to restore a bit of the heraldic function that frames sometimes filled in the past.

The frame also has its uses for artists looking to make abstract work more articulate. Two years ago, Robert Morris began showing a series of white bas-relief works that seemed to vent nuclear anxieties in a visual language of medieval fatalism. Embedded in an infernal slurry of plaster, human faces and fractured skeletons held the poses of apocalyptic death agony. This year Morris returned to painting with a series of more ambiguous abstractions. But a skeletal frieze has been retained along the frame to specify the note of mortal dread. Similarly, in 1979 Jasper Johns embedded a train of cutlery along the perimeter of *Dancers on a Plane*, inspired by musings on the multiarmed Hindu god Shiva. "I was thinking about many-handedness," Johns explains. "I made the association with the handling of utensils, and put them along the edge to suggest that the painting had some meaning beyond pure abstraction."

All of this attention to the frame comes at a time when some museums are reconsidering the question of how to mount their collections. Most paintings come to museums framed by dealers or patrons, not by the artists, and curators have often felt free to update. Two years ago, the National Museum of American Art, in Washington, took the reverse route, restoring ornate frames to paintings it had earlier reset in plain wooden strips. Says Chief Curator Elizabeth Broun: "We thought it was more historically correct."

More recently, New York City's Museum of Modern Art created a minor controversy when the director of its department of painting and sculpture, William Rubin, had the work of a few early modern masters, among them Cézanne, Gauguin and Van Gogh, refitted in no-frills borders. Part of Rubin's rationale was that undistracting borders would help to clarify continuities between the early modern painters and their inheritors, from Picasso through Johns, whose work elsewhere in the museum is likewise in simple frames. "Very successful," says Thomas Messer, director of the nearby Guggenheim Museum, which has a reputation for simple frames. "Very institutional," says Scott Schaefer, curator of European painting at the Los Angeles County Museum of Art. "I think it looks terrible."

The shake-out in frames is yet to come. The genuinely imaginative conceits are already outnumbered by gratuitous doodads that seem to have little function except to disguise inert painting. After the challenging stringencies of painting in the 1970s, artists and buyers are in the mood for a little fun. But a flood of gimmicky borders may send them fleeing back to the pleasures of the unembellished edge, and remind them that, after all, the main event is on the canvas. —***By Richard Lacayo***

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Video

A Giant Leap to No. 2

Programmer Brandon Tartikoff leads NBC out of the cellar

Fade in: Midnight at the Tartikoff home in the Coldwater Canyon section of Beverly Hills. Baby Daughter Calla Lianne has awakened, and her parents are trying to lull her back to sleep to the strains of the *Tonight* show. The guest is Comedian Bill Cosby, who is doing a funny routine about the trials of middle-aged parents. As the father watches, a light goes on in his head.

Montage: Actors being hired, sets being built, scenes being rehearsed.

Cut to: NBC's offices in Burbank, several months later. Network executives are celebrating the latest Nielsen ratings: after nine straight seasons in last place in the prime-time race, NBC has finally moved up to No. 2. Its new hit *The Cosby Show*, a sitcom about the trials of middle-aged parents, is a major reason.

HOPALONG CASSIDY
film festival

JOHN Z MCKERNAN

Tartikoff in his Burbank, Calif., office: from *Dennis the Menace* to Mr. T

Writing a happy ending for one of the longest-running sob stories in TV history.

Brandon Tartikoff's ideas do not always follow such a smooth path to success, but no one is more entitled to celebrate. For nearly five years the boyish but driven president of NBC Entertainment has been trying to write a happy ending for one of the longest-running sob stories in TV history. Season in, season out, NBC rethought its strategy, retooled its schedule, introduced a slew of new shows—and wound up, as usual, deep in the ratings cellar. Asked early this fall if he had anything else to throw in if his new schedule fizzled, Tartikoff replied, "My resignation."

But the schedule has hardly fizzled. Besides *The Cosby Show*, NBC has another successful new series in Michael Landon's *Highway to Heaven*, and several returning shows are also doing well. These, combined with such high-rated TV movies as last week's *Fatal Vision*, have helped the network vault into a strong second position, only three-tenths of a rating point behind CBS for the season so far, and 1.6 points ahead of the sinking ABC.

That Tartikoff was able to survive so long and eventually prevail in a notoriously precarious job is just one of many anomalies about him. A graduate of Yale, where he majored in English, Tartikoff, 35, has the wit and offhand manner of a hip assistant professor. In the office he often appears in crew-neck sweaters and never wears a watch. The modest three-bedroom home where he lives with his wife Lilly and daughter lacks such California status symbols as a swimming pool and tennis court. During off-hours, Tartikoff enjoys shooting baskets (on his one extravagance, a home court that his wife gave him for Father's Day) and playing third base in a Saturday-morning softball league ("a smart ballplayer and a good spray hitter," appraises one teammate). Moreover, in a business where the top dogs are usually tight-lipped, Tartikoff is candid and accessible—qualities that have made him the most publicized network programmer since his legendary mentor, Fred Silverman.

The son of a clothing manufacturer, Tartikoff grew up on Long Island, where he used to stay home from school to watch sitcoms like *December Bride* and *My Little Margie*. He foresaw his calling on a Sunday night in 1959, when he sat cross-legged in front of the family set to watch the premiere episode of *Dennis the Menace*. "After it was over," Tartikoff recalls, "I turned to my parents and said, 'They could have made that show much better.' "

Tartikoff began to prove he could do better when, at 23, he went to work as director of advertising and promotion at WLS-TV in Chicago. He impressed his boss, Lewis Erlicht (now president of ABC Entertainment), with successful gimmicks like "Gorilla My Dreams Week," a festival of ape movies. Fred Silverman, then ABC's programming chief, soon hired him, but Tartikoff left after a year to join NBC. Silverman later became president of NBC and promoted Tartikoff to the top programming slot in January 1980.

After Grant Tinker replaced Silverman in 1981, Tartikoff seemed a sure bet to take the fall for NBC's ratings troubles. But Tinker stuck with him. "I think he is the best guy to do that job—it's that simple," says the NBC chairman. One of Tartikoff's severest problems was that top producers were reluctant to bring their shows to NBC. "The unfortunate thing for the last-place ball team is that you don't get to hit against your own pitching," he explains. "Producers went to NBC third because they didn't want their new show to face a 40-share on ABC called *Happy Days* or *Three's Company*." NBC's solution was to convince producers that the network would stick with new shows longer. "We wanted to give the audience time to find a show, and the creative community appreciated that," Tartikoff says.

Indeed, NBC stuck with adventurous shows like *St. Elsewhere* and *Cheers* even when their early ratings were disappointing. "I don't give the public what they want," Tartikoff says. "I'm more interested in giving them what they will want. I like to challenge the audience. That's not to say that you don't do your share of pandering." Some would place in the latter category NBC's mass-appeal show *The A-Team*, which was based on an idea Tartikoff hatched after meeting Mr. T at a boxing match. He came into the office one day and wrote a note: "A-Team. *Magnificent Seven, Dirty Dozen, Mission Impossible, Road Warrior* all rolled into one, and Mr. T drives the car." The rest is Nielsen history. "I am not an intellectual," says Tartikoff. "I have very restrained, middle-class tastes."

While working in Chicago in the early '70s, Tartikoff discovered that he had Hodgkin's disease, a form of cancer that he survived after more than a year of radiation treatments and chemotherapy. He worked straight through it, but the experience made him realize that "you're not given an unlimited time on this earth, and you shouldn't fritter it away." Tartikoff does not look like a man given to frittering as he flings out nonstop ideas, jots his notes and takes aim at the No. 1 slot in the ratings. Says he: "I think I feel more pressure than I did when we were No. 3. I don't want to blow this opportunity." —***By Richard Zoglin.***

Reported by Denise Worrell/Los Angeles

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Let Us Now Praise Famous Hackers

A new view of some much maligned electronic pioneers

Legend at M.I.T. has it that one night in the mid-'50s some students paid a clandestine visit to Cambridge's Kendall Square subway station, where they quietly spread grease all over the tracks. The next morning, the first train that pulled into the station hit the grease and skidded right through the other side, taking its passengers to an unscheduled stop in the middle of a darkened tunnel. When the motorman backed up to see what had happened, the train slid through the station in the other direction as well. The ensuing snarl is supposed to have tied up transit officials and straphangers for hours.

Ted Nelson

For several generations of M.I.T. engineers, the subway prank was known as the ultimate "hack," the rare practical joke clever and elegant enough to be worthy of one of the world's most prestigious technical schools. Today the best and the brightest technology students are more likely to be found hanging around a computer system than a subway system. But they still call themselves hackers, and although they insist they have been misunderstood, their relationship with the public is once again on the skids.

"Cap'n Crunch" Draper

Last year's hit movie *WarGames* and a series of well-publicized computer break-ins have created an image of a teen-age computer hacker that is giving the term a bad name. Many people now think of hackers as pests or perhaps even criminals. But the hackers themselves claim they are getting a bum rap from movies and newspapers. Says Bill Burns, an industrial psychologist and part-time hacker: "We are the victims of a major press screw-up."

Hackers, as most computer experts use the term, are distinguished not by their mischievousness but by their persistence and skill. Some of the key breakthroughs in modern computer science, including the development of the personal computer, can be traced to these often fanatically dedicated people. Even today, men and women who are proud to call themselves hackers can be found in the research departments of almost any major computer firm, designing state-of-the-art machines and writing the software that runs on them.

Bill Atkinson

Now some of the real computer whiz kids are finally getting their due. In a new book called *Hackers* (Doubleday; $17.95), Writer Steven Levy argues that these "science-mad people" are the true heroes of the computer revolution. He traces the history of hackers from M.I.T.'s Tech Model Railroad Club, their first mecca, to Silicon Valley's Homebrew Computer Club, an early microcomputer gathering spot, to a video-game factory in Coarsegold, Calif. Through it all he discerns a common thread: the unspoken assumption among crack computer programmers and engineers that they could straighten out the world by dint of their intelligence if they could only get their hands on the control box.

The overpowering urge to compute, as Levy describes it, has always seemed bizarre to outsiders. At M.I.T. and Stanford the true devotees would skip meals, drop classes and give up sleep and social lives to burrow deeper and deeper into their beloved electronic brains. Once they started on a project, they would regularly "wrap around," working day and night until, after 30 hours, they collapsed on the nearest cot or sofa. Programmers at Stanford's Artificial Intelligence Lab eventually discovered that the space between the roof and false ceiling made a comfortable sleeping hutch, and some of them lived there for months at a time.

Two weeks ago, 130 of America's most devoted hackers gathered in the barracks of a refurbished Army post in Sausalito, Calif., at the invitation of a group of computer experts headed by Stewart Brand, editor in chief of the *Whole Earth Software Catalog*. Brand's idea was to bring together, for the first time, people from several generations of hackers, and his guests included some of the brightest stars in computing: Ted Nelson, author of *Computer Lib*, a widely read handbook from the mid-1970s; Stephen Wozniak, who built the original Apple computer; Lee Felsenstein, designer of the Osborne 1; Richard Greenblatt, who developed the LISP machines used in artificial-intelligence research; and Burrell Smith, a onetime Apple repairman who went on to build the Macintosh computer.

Sat Tara Singh Khalsa

There were a fair share of shaggy beards, silver-winged baseball caps and even one turban, worn by a Montana-born programmer who now calls himself Sat Tara Singh Khalsa. But for the most part the hackers looked more like backpackers or professional musicians than any stereotype image of computer nerds. By day, they met for discussions and debates that included a face-off between Donn Parker, a computer-crime expert, and John Draper, the legendary "Cap'n Crunch," who developed a system for making free phone calls by using the toy whistle from a breakfast-cereal box to imitate the tone used by A T & T for long-distance calls. At night the hackers clustered around a dazzling array of computer hardware that beeped and glowed until 4 o'clock each morning.

Most of the weekend conference, though, was spent trying to plot the future of hacking in an industry increasingly dominated by marketers and venture capitalists. Everyone present seemed to agree that commercialism had changed the nature of computing. What was less clear was what the new rules for hacking ought to be. Said Bill Atkinson, author of a flashy new program called MacPaint: "The question is, how do you spread excitement around?"

Many first-generation hackers, having struggled with the red tape that surrounded million-dollar systems in the early days of computing, tended to view such things as copy-protection schemes, which make it difficult to steal programs, as barriers to the free flow of information. Other hackers, however, protested that anyone who spends thousands of hours writing a program deserves to earn royalties on it. Said Robert Woodhead, co-author of a best-selling game called Wizardry: "My soul is in my product."

Stephen Wozniak

As the industry has matured, so have the pioneers who helped build it. Most of the high priests of hacking have long ago grown out of the pranksterism associated with their name, and many feel it is time they set an example for the next generation of computer fans. "It's one thing for a high school kid to show off how he can dial the phone for free," says Brian Harvey, an M.I.T. hacker turned high school teacher. "It's quite another for an adult to go around encouraging schoolkids to steal." —***By Philip Elmer-DeWitt***

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Cinema

Irène (Azema) and Monsieur (Ducreux) dance one lingering waltz before nightfall

Finding Life in a Little Melody

A SUNDAY IN THE COUNTRY *Directed by Bertrand Tavernier Screenplay by Colo Tavernier and Bertrand Tavernier*

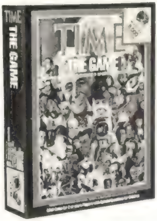
An innocent eye, an intelligent heart: these are the gifts that nature bestows on her artists. As a painter of the second stature, Monsieur Ladmiral (Louis Ducreux) possesses each gift in decorous sufficiency. His eye captures moments with piercing clarity; his heart helps him appreciate their evanescence. For old Monsieur is going to die soon. Now each day is unique—even this summer Sunday at his country home about 1912, when his children and grandchildren will come to visit, and memories will flip by like snapshots from a lost family album.

Nothing much happens in this gentle, acute, hugely affecting film from French Director Bertrand Tavernier (*The Clockmaker, Coup de Torchon*). Monsieur wakes, engages in a mild battle of wills with his sere housekeeper, dresses for the arrival of his son Gonzague (Michel Aumont). Gonzague's stern wife (Genevieve Mnich) lectures Monsieur fondly on his latest painting—"Put a cat on the divan; a cat is always nice"—and Monsieur replies with a smile that might be a wince. His two grandsons make an ordinary nuisance of themselves. His granddaughter, the lovely Mireille (Katia Wostrikoff), watches today's dinner spin on its fireplace rotisserie and gets caught up a tree. Suddenly, like a sunburst in the middle of a daydream, Monsieur's daughter Irène (Sabine Azema) motors in, abustle with gaiety and impish reproaches. She takes her papa to a country inn for a chat and one lingering waltz before nightfall; then, as abruptly as she came, Irène drives off to patch up a lovers' quarrel. Dinner, farewells, and a last reflection for Monsieur on his role as parent and painter.

In one sense, this is an unromantic, even radical film. The artist, it suggests, is also a functioning member of society. He need not be a diseased oyster or a frail hothouse plant or an emotional prairie fire that scorches the earth searching for truth. He must be both an observer of and a participant in the life of his family, his environment and traditions. And so, like any father, Monsieur can play favorites with his children, finding small pleasure in the weekly visits of his dutiful son, gasping for the breath of fresh life the mercurial Irène brings with her in her infrequent appearances. Like any grandparent, he can pamper or scold the little ones. Like any widower, he can surge into reveries of his dead wife, see her sitting in that chair, her chair.

Perhaps this explains Monsieur's failure, in his own eyes, as an artist. He was too faithful a family man, too attentive a student, too much a gentleman to renounce the academic style and strike out boldly for the terrain charted by the impressionists. "Perhaps I lacked courage," he confides to Irène. "I thought if I'd admitted what was original in others I'd have lost my own little melody." He is like a Salieri who has taught himself, through a lifetime of small disappointments, to accept that he will never be a Mozart. It is not till the end of this Sunday that he realizes the importance of following his own little melody. He puts aside his sofa still life, sets out a fresh blank canvas and ponders his resolution to start anew.

Bertrand Tavernier has done the same. Boldly eschewing fashion, he has found his roots in the French cinema's old tradition of quality, and found new life in those roots. Like the greatest painting the modest Monsieur could aspire to create, *A Sunday in the Country* is a masterpiece in miniature. —**By Richard Corliss**



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Rushes

OH, GOD! YOU DEVIL

In his third outing as the stand-up Supreme Being, George Burns, 88, adds a new wrinkle: he also plays Satan. Quotable quips from Writer Andrew Bergman *(The In-Laws)* include the Lord's back-lot zinger, "I put the fear of me in you," and Talent Agent Harry O. Tophet's devilish irreverence, "He had to close the big dining room up there." Tophet cuts a deal with a young songwriter (Ted Wass), offering fame in exchange for his soul. Director Paul Bogart's muzzy little comedy appropriately pivots on the Burns-Burns confrontation when Lucifer and the Lord play poker in Caesars Palace to win the yuppie Faustus. *Oh, God! You Devil* has a shopping-mall message: Don't do drugs or dream of fame; go home, be ordinary. If only Gracie were alive to play the devil's advocate, this biblical vaudeville might have had a little more class.

PARIS, TEXAS

A man named Travis (Harry Dean Stanton) staggers through the desert, mute and loco. His square brother (Dean Stockwell) hauls Travis home to be reunited with his young son (Hunter Carson). Now Travis goes searching, with the boy in tow, for his long-lost wife (Nastassja Kinski). Welcome to the new West, pardner, where the myth of the loner is yoked to the grail of domestic reconciliation. No wonder *Paris, Texas* is as powerfully schizoid as its title: German director (Wim Wenders), American screenwriter (Sam Shepard), the clashing strategies of an international cast. With his gorgeous, precise images of the American Southwest, Wenders suggests a cinematic landscape artist forced by the moneylenders to add some human figures to the picture. Their motivations refuse to parse, and the film ends up where Travis began: parched and lost in a desert of its own device.

A NOS AMOURS

Sandrine Bonnaire has a peasant sensuality; naked, she looks like the figurehead on a pirate ship. The camera closes in on the stolid planes of her face, and *voilà!* a deep dimple appears incongruously in her left cheek. From wanton to elfin in the flick of an adolescent whim—such are the compelling mysteries of personality. Bonnaire stars as the teen-age Suzanne in this doggedly unsentimental French film from Writer-Director Maurice Pialat. Suzanne's family has stayed together by corseting all hostilities. Then she discovers the power of her own erotic impulse. Overnight, Daddy's little girl is a slut in Mama's eyes, and the family falls into convulsions of jealousy and hatred. Like the off-Hollywood films of John Cassavetes, *A Nos Amours* is less drama than psychodrama; it wears its artlessness as a badge of intrepid truth-telling. Bonnaire's artlessness, though, marks her as an exotic found object and a genuine movie find. ■

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The Confidential Clerk

T.S. ELIOT: A LIFE *by Peter Ackroyd; Simon & Schuster; 400 pages; $24.95*

Since plowing through lists of strange names can be dull business, the only people likely to read the acknowledgments in most books are either insomniacs or the ones who are mentioned and thanked by the author for their help. Occasionally, though, these dutiful expressions of gratitude can yield useful information about the works they precede. This first full-length biography of T.S. Eliot (1888-1965) is a case in point. After acknowledging away for nearly two pages, Peter Ackroyd, an English critic and poet, concludes with a terse paragraph: "I am forbidden by the Eliot estate to quote from Eliot's published work, except for purposes of fair comment in a critical context, or to quote from Eliot's unpublished work or correspondence."

This injunction seems insurmountable. How to write the life of one of this century's greatest poets without including more than a handful of his words? To his credit, Ackroyd persisted. He has not produced the definitive biography; Eliot's estate, following the poet's wishes, stands staunchly in the path of any such study. But *T.S. Eliot: A Life* does more than make the best of a difficult situation: it offers the most detailed portrait yet of an enigmatic and thoroughly peculiar genius.

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4

BURROWS—LIFE

T.S. Eliot in 1958: longing for privacy and popular acclaim

The main outlines of Eliot's career are well known. Born in St. Louis, a scion of the Midwestern branch of a distinguished American family, he studied English literature at Harvard and then pursued, with diminishing zeal, a Ph.D. in philosophy. He settled in London and worked in a bank to support himself and his English wife. When he found time and inspiration, he wrote poems, including *The Waste Land* (1922), that helped shape the 20th century imagination. He took up British citizenship and abandoned the Unitarianism of his parents to become a convert to the Anglican Church. He spent the last four decades of his life more or less in the public eye, a polite, carefully tailored lecturer ministering to the declining health of Western culture. His plays, including *Murder in the Cathedral*, *The Cocktail Party* and *The Confidential Clerk*, won him increased fame, as did his Nobel Prize for Literature in 1948. In 1956, 14,000 people gathered in Minneapolis to hear him speak on "The Frontiers of Criticism."

Behind this austere façade, Ackroyd finds a tormented and divided soul. Eliot shied away from attention while courting it with Machiavellian skills. Ezra Pound, another American expatriate, aptly nicknamed him "Old Possum." Pound had tried and failed to take over literary London through energy and bravado; Eliot succeeded through diffidence and self-denigration. He invited sympathy; friends who knew he was overworked were startled to see him wearing a green face powder that accentuated his cadaverous pallor. Yet he repulsed those who tried to ease his burdens; several plans to raise money that would free Eliot of his bank duties only aroused his resentment.

Along with most commentators, Ackroyd agrees that Eliot's long, unhappy marriage to Vivien Haigh-Wood crucially affected his life and career. Their union combined high-strung nerves and physical complaints that seem to have made sexual relations either impossible or undesirable; the sterility in *The Waste Land* may owe less to the decline of the West than to domestic problems of the Eliots. But Ackroyd suggests that in many ways Vivien was a good wife, supporting her husband in his dark moods and offering solicited judgments on his manuscripts. Eliot's method of divorcing her shimmers with the indecisiveness of *The Love Song of J. Alfred Prufrock*: he went off for a stint of teaching in the U.S., told his lawyers to handle matters in his absence and hid from her when he returned to England. She died in a mental institution in 1947.

Eliot would hate *Tom and Viv*, an acerbic dramatization of his first marriage that played in London earlier this year and is to open in New York City in January. On the other hand, he might well love *Cats*, a smash musical hit on both sides of the Atlantic, which uses as its libretto his *Old Possum's Book of Practical Cats* (1936). For while Eliot was horrified by the prospect of invasions of his privacy, he also longed for the popular acclaim that not even his most successful plays achieved. He was always at war with himself, and the disembodied voice of his best poetry emerged from the white center of this conflict. Ackroyd does a superb job of identifying and temporarily separating the diverse Eliots who struggled to make up the poet and the man.

—By Paul Gray

Excerpt

> ❝ Throughout 1935 Vivien continued her lonely pursuit of her husband. It seems to have been her settled conviction that she had only to see and to speak to him, and he would agree to return to her. And, in November, she found him. She had discovered that he was to deliver an address at a *Sunday Times* book exhibition, and she arrived there . . . This was the confrontation Eliot most feared. Vivien went up to him and said, 'Oh, Tom'; he seized her hand and said 'How do you *do*' in a loud voice. The dog recognized him and jumped up at him, but he seemed not to notice. When he spoke at the exhibition, Vivien stood the whole time, keeping her eyes fixed upon his face. After he had finished his address she went up to him again and said, 'Will you come back with me?' He replied, 'I cannot talk to you now' . . . Then he walked away. They were never to see each other again. ❞

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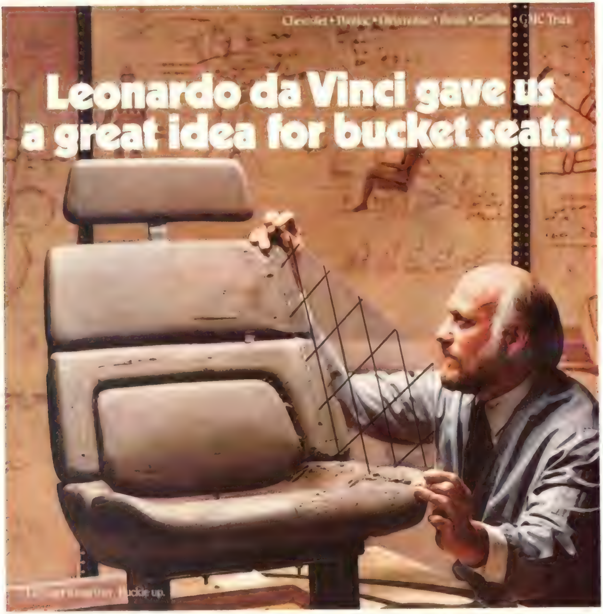
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God Cousins

THE SICILIAN
by Mario Puzo
Simon & Schuster; 410 pages; $17.95

The Godfather was an irresistible tale of corruption and an equally tempting celebration of two sacred institutions, the family and free enterprise. *The Sicilian*, an offshoot of the 1969 bestseller, is also an offer of evil and romance that cannot be refused. Mario Puzo remains one of America's best popular storytellers, though his years of whittling movie scripts have resulted in chapters that seem spindly next to those in the full-bodied *Godfather*. In fact, the novel could be cut down and inserted in the earlier book. Offstage, at Mafia Central on Long Island, Don Corleone directs events that have profound effects in Sicily and teach Son Michael a cruel lesson in survival.

THOMAS VICTOR

Mario Puzo: back-lot mythology
Planting a sardonic fatalism.

The time is 1950, and young Corleone is preparing to end the two-year exile imposed after he killed Sollozzo the Turk and the corrupt Police Captain McCluskey. Michael's final assignment is to arrange the escape of a Sicilian outlaw who has become an endangered folk hero. This proves difficult. The godfather-in-training is given the runaround and a chance to witness treacheries that seem to have originated in the Punic Wars.

Puzo works hard to make his story back-lot mythic. Spartacus led his slave army out of the Cammarata hills to fight the Romans. A skeleton dug out of the rocky soil is said to have belonged to one of Hannibal's elephants. The novel's hero, Turi Guiliano, is a Latin Robin Hood who can recite the *Song of Roland* and the basic guerrilla manual with matching ease. When he is not slipping into Montelepre for his mother's cooking and the attractions of a young widow, Turi muses under starry skies: "He no longer doubted that he had some magnificent destiny before him. He shared the magic of those medieval heroes who could not die until they came to the end of their long story, until they had achieved their great victories."

Guiliano dreams of smashing the power of the "Friends of the Friends." Sicilians, Puzo tells us, never say Mafia, a 10th century Arabic term meaning sanctuary. A thousand years later, the word is dark with irony. Founded to fight foreign oppressors, the organization has come to include the island's most terrible despots. Their fingers can be found in every business and social institution from Palermo to Catania, their hands behind countless murders. Puzo offers swatches of sad history and exotic sociology. Mussolini nearly wiped out the Mafia, but the U.S. Army ensured its comeback when it unlocked Fascist prisons. Kidnaping is a cottage industry, monks fake relics, and *omertà*, the code of silence, is so pervasive that strangers often cannot get directions to their hotels. Casting a large shadow over all this is Puzo's Don Croce Malo, a model of the fatal charm and intricate cunning of a successful mafioso.

With the exception of Michael Corleone, Turi Guiliano is the shallowest major character in the novel. He reads good books, idealizes justice and respects religion. But if he has a thought subtler than how to trap his enemies, he keeps it to himself. By contrast, Aspanu Pisciotta, the hero's friend and chief lieutenant, has a vivid psychology that eventually sustains Horace's 2,000-year-old observation that "Sicilian tyrants never invented a greater torment than envy."

Unlike a spaghetti western, *The Sicilian* has no one-on-one shootout under a hot sun. Instead, Don Croce and Guiliano are locked in an elaborate melodrama of betrayals within betrayals. Puzo too demonstrates sly moves. His florid descriptions and graphic action scenes guarantee bug-eyed attention while he plants a sardonic fatalism in the heart of his book. One of the rarest commodities in his Sicily is truth ("A source of power, a lever of control, why should anyone give it away?"), while revenge is one of the highest virtues ("On this Catholic island, statues of a weeping Jesus in every home, Christian forgiveness was a contemptible refuge of the coward"). In the New World, far from the color and tradition, Don Corleone takes an even more brutish view: "Live your life not to be a hero but to remain alive. With time, heroes seem a little foolish."

This is cynical stuff from one of the most "respected" characters in popular fiction. But Puzo knows the mass-market game better than most: Give the angels the good looks, the devils the best lines, and keep the prose cinematic. This element is so strong that the book seems to be only the pupal stage of a story impatient to spread celluloid wings. —***By R.Z. Sheppard***

Elegy

ORGANIZED CRIMES
by Nicholas von Hoffman
Harper & Row; 274 pages; $14.95

Nearly every journalist believes he has a novel in him. But if he manages to produce the work, it often bears a disquieting resemblance to journalism. Nicholas von Hoffman's first novel, *Organized Crimes*, is a happy exception. This is no self-absorbed memoir of How I Broke the Big Story or of backstairs city-room intrigues; indeed, its only journalist of consequence is in the pay of mobsters and is introduced to the narrative at the moment he is shot dead.

The book's setting is Chicago in the 1930s, an era of celebrity gangsters, ruined financiers, penniless immigrants, left-leaning intellectuals and psychotic anarchists, all of them interconnected in Von Hoffman's ruefully comic invention. The period is as rich and varied as the turn-of-the-century New York City of E.L. Doctorow's *Ragtime*, and the range of real-life characters is even greater: Hoodlums Al Capone and Frank Nitti and Machine Gun Jack McGurn, Mayors Big Bill Thompson and Anton Cermak, Roman Catholic Cardinal George Mundelein, Utilities Tycoon Samuel Insull and Assassin Giuseppe Zangara, who struck down Cermak in Miami while trying to kill Franklin D. Roosevelt.

TERRY ASHE

Nicholas von Hoffman: adroit tale spinner
Mixing crooks, financiers and anarchists.

Thrust among them is a fictional couple, both, fittingly enough, students of social anthropology. Allan Archibald, a moneyed North Shore Wasp, witnesses the murder of the reporter and on a bet undertakes to write a scholarly paper about the Chicago underworld. Irena Giron, a brilliant but unworldly girl from the Polish ghetto "back of the yards," catastrophically encourages Allan to learn more about the style and ferocity of the syndicate. *Organized Crimes* is part political satire, part informal history, part rumination on the Depression, part love story between the rich boy poor in spirit and the poor girl rich in perception. Von Hoffman's elemental themes are deftly woven into the episodic narrative: among men of power, there may be differences of method but not of motive; between brains and privilege, choose brains, because money and position may prove fleeting, while intelligence endures.

Von Hoffman, a former columnist for the now defunct Chicago *Daily News* and for the Washington *Post*, writes with occasional Second City vulgarity and feistiness. But he can also display an elegiac grace about a world in which everything, everywhere, has suddenly gone wrong: "Heading along the street to where he had parked his car, he looked up and saw a dark red, liver-colored sky, full of ores and oxides and particulates. The droughts of last summer had been followed by the winds of November. Although Allan did not know it, he was seeing the State of Oklahoma blowing past Chicago, traveling east. The Dust Bowl had begun."

Von Hoffman's large cast and its machinations remain credible and, even in the comic passages, are never overdrawn. But the author is more than an adroit tale spinner: it is character, not accident or circumstance, that brings his central figures to grief. In the process, he merges Chicago myth, legend and history with poignant private truth. This journalist, at least, had not only a novel but a genuine novelist in him. —**By William A. Henry III**

Best Sellers

FICTION

1. The Talisman, *King and Straub (1 last week)*
2. Love and War, *Jakes (2)*
3. The Sicilian, *Puzo*
4. Life Its Ownself, *Jenkins (7)*
5. Strong Medicine, *Hailey (4)*
6. The Fourth Protocol, *Forsyth (3)*
7. Stillwatch, *Clark (5)*
8. ". . . And Ladies of the Club," *Santmyer (9)*
9. Job: A Comedy of Justice, *Heinlein (8)*
10. God Knows, *Heller (6)*

NONFICTION

1. Iacocca: An Autobiography, *Iacocca (1)*
2. Loving Each Other, *Buscaglia (2)*
3. Pieces of My Mind, *Rooney (5)*
4. Dr. Burns' Prescription for Happiness, *Burns (10)*
5. What They Don't Teach You at Harvard Business School, *McCormack (3)*
6. The One Minute Sales Person, *Johnson and Wilson (4)*
7. Raquel, *Welch*
8. Nothing Down, *Allen*
9. The Life and Hard Times of Heidi Abromowitz, *Rivers (7)*
10. The Bridge Across Forever, *Bach (8)*

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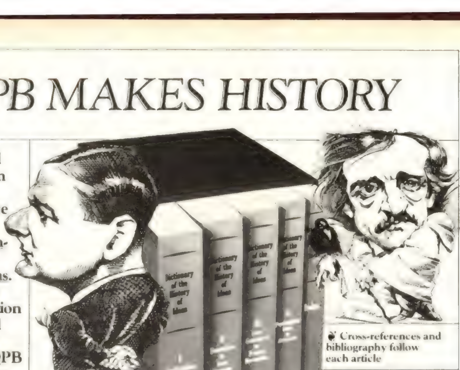
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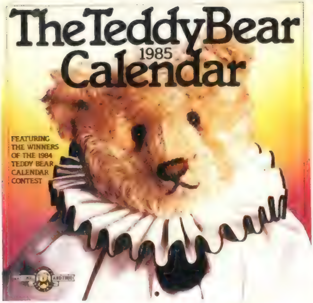
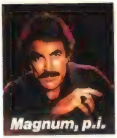
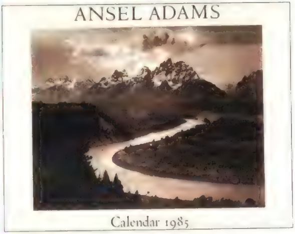

The Teddy Bear 1985 Calendar
FEATURING THE WINNERS OF THE 1984 TEDDY BEAR CALENDAR CONTEST



A CALENDAR FOR 1985
Trivial Pursuit



1985
SWIMSUIT CALENDAR

The 365 new-words-a-year calendar

Living

Crazy over Calendars

From Teddy bears to trivia, they sell like there is no tomorrow

In China it will be the Year of the Ox, but in American bookstores, gift and stationery shops, 1985 may just become the Year of the Calendar. Some 1,500 different wall and desk versions, including a circular pop-up of flowers and ones with detachable postcards, celebrating everything from cats to Culture Club, are being snapped up at a phenomenal pace. Some favorites have earned second press runs: 250,000 *Trivial Pursuit* (QuillMark) calendars sold out in the U.S. and Canada in a month, and *Cabbage Patch Kids* (Abrams) has been bought by 1.4 million doll lovers. Says Michael Ritz, promotions director of Abbeville Press, where eight of 15 calendars are sellouts: "It's just an amazing year."

One reason for the shopping spree is that calendars are bargains, costing from $4.95 for wall models to $14.95 for desk versions. Another factor: freebies from local merchants and major companies are disappearing. Cost-conscious Chemical Bank, for instance, gave away 550,000 calendars in its New York branches in 1982 but has printed less than half that number this year. Calendars are becoming personal statements. "There's no such thing as the family calendar any more," says Paul Gottlieb, president of Harry N. Abrams, which publishes seven calendars. "Everyone in the family has to have one, and they have to express individual tastes."

Borrowing from the book business, both B. Dalton and Waldenbooks issue weekly bestseller lists for calendars. Topping last week's Dalton chart: *The Teddy Bear Calendar* (Workman). Its well-mannered bears at play will likely sell out the 390,000-copy printing. One reason: a contest that allows ursophiles to submit pictures of their own Teddies, which may be selected for inclusion in the '86 edition.

Calendars of pinups and pine trees are favorites on everybody's list. The poster-size *Sports Illustrated's Swimsuit Calendar*, featuring supermodels in torrid Caribbean settings, is third on Waldenbooks' list. *Magnum, p.i.* (Landmark) is fourth, offering pictures of Tom Selleck in fuzzy focus and crisp action. The second *Ansel Adams Calendar* (New York Graphic Society Books) has resonant prints of the master's favorites such as a Cape Cod barn and Yosemite Valley. They are enhanced by the latest laser-scanned printing techniques.

The most recent calendar rage, however, has virtually no pictures at all. The fat little memo-pad–style, day-at-a-time calendars work on words. At least half a dozen companies produce a variety of them, including one called *Murphy's Law* (Price/Stern/Sloan) and others for sports trivia, Bible verses, computer terms, astrological signs and even dirty jokes. *The 365 new-words-a-year calendar* (Workman) made both lists, with offerings like "Dionysian . . . recklessly uninhibited; frenzied." The success is in the format, says Publisher Peter Workman. "Each day they entertain, surprise and educate, like books you can savor piece by piece over a full year."

Indeed, people cannot do without them, believes Lucy Fellowes, organizer of "Embellished Calendars: An Illustrated History," an exhibition which opened last week at New York City's Cooper-Hewitt Museum. Says she: "Even though watches no longer need faces, people still need calendars. In 400 years no one has improved on those paper pages hanging on the wall." But they certainly have made more of them. —***By J.D. Reed.***

Reported by Val Castronovo/New York and Meg Grant/Los Angeles

The Straightaway.

The Hairpin.

The S's.

The Loop.

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HONDA

The Accord Hatchback

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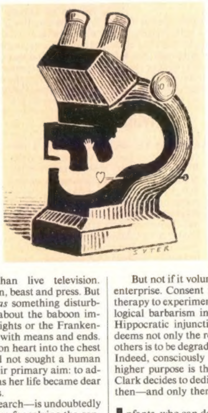
The Using of Baby Fae

The placing of a baboon heart into the chest of little Baby Fae caused indignation in many quarters. For some, who might safely be called eccentric, the concern was animal rights. Pickets outside Loma Linda University Medical Center and elsewhere protested the use of baboons as organ factories. Dr. Leonard Bailey, the chief surgeon, was not impressed. "I am a member of the human species," he said. Human babies come first. It was unapologetic speciesism. He did not even have to resort to sociology, to the argument that in a society that eats beef, wears mink and has for some time been implanting pigs' valves in human hearts, the idea of weighing an animal's life equally against a human baby's is bizarre.

Others were concerned less with the integrity of the donor than with the dignity of the recipient. At first, before Baby Fae's televised smile had beguiled skeptics, the word ghoulish was heard: some sacred barrier between species had been broken, some principle of separateness between man and animal violated. Indeed, it is a blow to man's idea of himself to think that a piece of plastic or animal tissue may occupy the seat of the emotions and perform perfectly well (albeit as a pump). It is biological Galileism, and just as humbling. Nevertheless it is fact. To deny it is sentimentality. And to deny life to a child in order to preserve the fiction of man's biological uniqueness is simple cruelty.

Still others were concerned with the rights of the observing public, and its proxy, the press. For a while, when Baby Fae was doing well, the big issue was made out to be the public's (read: the press's) right to know. There were reiterated complaints about withheld information, vital forms not made public, too few press conferences. It is true that in its first encounter with big-time media Loma Linda proved inept at public relations. But how important can that be? In time the important information will be published and scrutinized in the scientific literature, a more reliable setting for judging this procedure than live television.



Baby Fae brought out defenders of man, beast and press. But who was defending Baby Fae? There *was* something disturbing—subtly, but profoundly disturbing—about the baboon implant. It has nothing to do with animal rights or the Frankenstein factor or full disclosure. It has to do with means and ends.

It turns out that before placing a baboon heart into the chest of Baby Fae, doctors at Loma Linda had not sought a human heart for transplant. That fact betrays their primary aim: to advance a certain line of research. As much as her life became dear to them, Baby Fae was to be their means.

The end—cross-species transplant research—is undoubtedly worthy. Human transplants offer little hope for solving the general problem of children's dying of defective hearts. There simply are not enough human hearts to go around. Baboons grown in captivity offer, in theory, a plausible solution to the problem. To give Baby Fae a human heart would have advanced the cause of children in general very little. But it might have advanced the cause of *this* child more than a baboon's heart, which, given the imperfect state of our knowledge, was more likely to be rejected.

Doctors like to imagine that the therapeutic imperative and the experimental imperative are one and the same. On the contrary. They are almost always in conflict. At the extreme are the notorious cases in which the patient is actually sacrificed on the altar of science: the Tuskegee experiment, in which a group of black men with syphilis were deliberately left untreated for 40 years; the Willowbrook experiment, in which retarded children were injected with hepatitis virus; and the Brooklyn study in which elderly patients were injected with live cancer cells. Loma Linda was at the other extreme. Here, far from being at war with the therapeutic, the experimental was almost identical with it. But not quite. The baboon heart was ever so slightly more experimental, more useful to science (or so the doctors thought), more risky for Baby Fae. If it were your child, and you had two hearts available, and you cared not a whit for science (perhaps even if you cared quite a bit for science), you would choose the human heart.

The Loma Linda doctors did not. Hence the unease. One does not have to impute venal motives—a desire for glory or a lust for publicity—to wonder about the ethics of the choice. The motive was science, the research imperative. Priority was accorded to the claims of the future, of children not yet stricken, not yet even born.

Is that wrong?

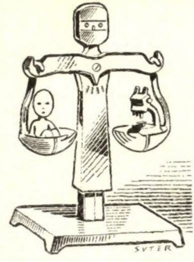
Civilization hangs on the Kantian principle that human beings are to be treated as ends and not means. So much depends on that principle because there is no crime that cannot be, that has not been, committed in the name of the future against those who inhabit the present. Medical experimentation, which invokes the claims of the future, necessarily turns people into means. That is why the Nuremberg Code on human experimentation (established after World War II in reaction to the ghastly Nazi experiments on prisoners) declares that for research to be ethical the subject must give consent. The person is violated if it is unwillingly—even if only uncomprehendingly—used for the benefit of others.

But not if it volunteers, and thus, in effect, joins the research enterprise. Consent is the crucial event in the transition from therapy to experiment. It turns what would otherwise be technological barbarism into humane science. Consent suspends the Hippocratic injunction "First, do no harm." Moreover, it redeems not only the researcher but the researched. To be used by others is to be degraded; to give oneself to others is to be elevated. Indeed, consciously to make one's life the instrument of some higher purpose is the essence of the idea of service. If Barney Clark decides to dedicate his last days to the service of humanity, then—and only then—may we operate.

Infants, who can decide nothing, are the difficult case. (If Baby Fae had volunteered for her operation, the ethical questions would evaporate.) Since infants are incapable of giving consent, the parents do so on their behalf. In Baby Fae's case what kind of consent did they give? If her parents thought that the operation might save their child (*i.e.*, that it was therapeutic), they were misled. There was no scientific evidence to support that claim. The longest previous human survival with a heart xenograft was 3½ *days*. (Baby Fae lived 17 more.) The longest *animal* survival in Dr. Bailey's own studies was 165 days.

Illustrations for TIME by David Suter

Essay



If, on the other hand, the parents had been told that the purpose was to test a procedure that might help other babies in the future (*i.e.*, that it was experimental), what right did they have to volunteer a child—even their child—to suffer on behalf of humanity?

After Baby Fae died, it was argued, retroactively, that in fact the operation reduced her suffering, that she was pink and breathing instead of blue and gasping. Perhaps. But the cameras were brought in only when she was well. She was not seen when not doing well: enduring respirators, cannulas, injections, stitches, arrhythmias, uremia. Was this really less agonal than a natural death, which would have come mercifully weeks earlier?

No. Baby Fae was a means, a conscripted means, to a noble end. This experiment was undertaken to reduce not her suffering, but, perhaps some day, that of others. But is that really wrong? Don't the suffering babies of the future have any claim on us? How do we reconcile the need to advance our knowledge through research, with the injunction against using innocents for our own ends?

Two serious men have attempted an answer. One is Jonas Salk. "When you inoculate children with a polio vaccine," he said of his early clinical tests, "you don't sleep well for two or three months." So Salk tested the vaccine on himself, his wife and his own children. This is an extraordinary response. It certainly could not have improved his sleep. It did not even solve the ethical dilemma. After all, the Salk children were put at risk, and they were no less innocent than the rest. But by involving his own kin (and himself), Salk arranged to suffer with the others if his science failed. He crossed the line that separates user from used. By joining his fate to the used, he did not so much solve the ethical problem as turn it, heroically, into an existential one.

Princeton Philosopher Paul Ramsey offers another version of that response. Ramsey comes from the other side of the great research debate. He argues that children may never be made guinea pigs and that we have no right to "consent" on their behalf. A most stringent Kantian, he would prohibit all experimentation on nonconsenting subjects. But for those of us who see the requirement for research as a moral imperative equal in force to the imperative to respect the individual, he counsels: if you must do it, do it, but do not deny the moral force of the imperative you violate. In a society that grants the future *some* claims, a society that will not countenance the endless destruction of children by polio—or by hypoplastic left-heart syndrome—"research medicine, like politics, [becomes] a realm in which men have to 'sin bravely.' "

Baby Fae lived, and died, in that realm. Only the bravery was missing: no one would admit the violation. Bravery was instead fatuously ascribed to Baby Fae, a creature as incapable of bravery as she was of circulating her own blood. Whether this case was an advance in medical science awaits the examination of the record by the scientific community. That it was an adventure in medical ethics is already clear. —***By Charles Krauthammer***

Milestones

MARRIED. William Colby, 64, often embattled director of the Central Intelligence Agency under Presidents Nixon and Ford; and **Sally Shelton,** 40, former U.S. envoy to the West Indian islands of Barbados, Grenada, Dominica, St. Lucia and St. Vincent; both for the second time; in a ceremony performed by the mayor of Venice, Italy.

SEPARATED. Marie Osmond, 25, wholesome prima donna of the devoutly Mormon Osmond family; and her husband of 2½ years, **Stephen L. Craig,** 27, a former Brigham Young University Basketball Player; in Los Angeles. The couple have a 19-month-old son, who has returned to Orem, Utah, with his mother.

SENTENCED. Mark Gastineau, 28, 6-ft. 5-in., 270-lb. all-pro defensive end of the New York Jets, who was convicted in September of assaulting a man in New York City's Studio 54 nightclub; to 90 hours of community service conducting a football camp at Riker's Island correctional facility for jailed adolescents awaiting trial. Said presiding Criminal Court Judge Alan Marrus: "I'm sentencing you to Riker's Island—not as an inmate but as a teacher."

HOSPITALIZED. Martha Layne Collins, 47, Governor of Kentucky; to remove a 1.2-in. by 0.2-in. sliver of glass that had lodged in her small intestine; in a private clinic; in London. Collins was in the British capital with other members of the National Governors' Association on the first leg of a ten-day European trip to study the effects of acid rain; her husband suggested that the glass she swallowed may have been in a meal she ate while aboard a Pan American World Airways jet en route to England. Pan Am said that it strongly doubted that this could have happened. She is in good condition but is expected to remain at the clinic for two weeks.

HOSPITALIZED. Engelbert Humperdinck, 48, British crooner (*Release Me, After the Lovin'*); for severe fatigue and bronchitis after he collapsed in his dressing room during a six-day engagement at the Westbury (N.Y.) Music Fair; at Massapequa General Hospital, in North Massapequa, N.Y. He was released the following day.

DIED. Leonard Rose, 66, world-renowned cellist, admired for the technical mastery and elegance of his performances in solo work and chamber groups; of leukemia; in White Plains, N.Y. Rose was a brilliant, dedicated teacher whose students included the virtuosos Yo-Yo Ma and Lynn Harrell and many cellists in America's top symphony orchestras.

DIED. Trygve Bratteli, 74, shoemaker's son who twice became Prime Minister of Norway; of a stroke; in Oslo. Known as the Norwegian Sphinx for his quiet authority, Bratteli organized his country's underground resistance to the Nazis in 1940; after his capture two years later, he survived six concentration camps. To a political opponent, the slight, ascetic Bratteli was "one of a dying race of social democrats who came from a poor background and made his way through the hard sweat of his own labor."

DIED. George Aiken, 92, Republican veteran of the U.S. Senate for 34 years, and Governor of Vermont (1937-1941), who after five decades in politics still referred to himself as a New England land farmer; in Montpelier, Vt. A blunt-spoken maverick whose liberal views often nettled his party, Aiken led efforts to bring electricity to rural America, to build the St. Lawrence Seaway and to create the nationwide food-stamp program. His campaigns were noted for their thrift. Expenses often totaled less than $20—for stamps to send "thank you" letters to people who had, unasked, circulated his reelection petitions. Aiken became famous for suggesting in 1966 that the solution to the Viet Nam War was for President Johnson simply to declare the U.S. the winner and then retreat.

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